

# Houlihan Lokey, Inc. NYSE:HLI

## FQ1 2025 Earnings Call Transcripts

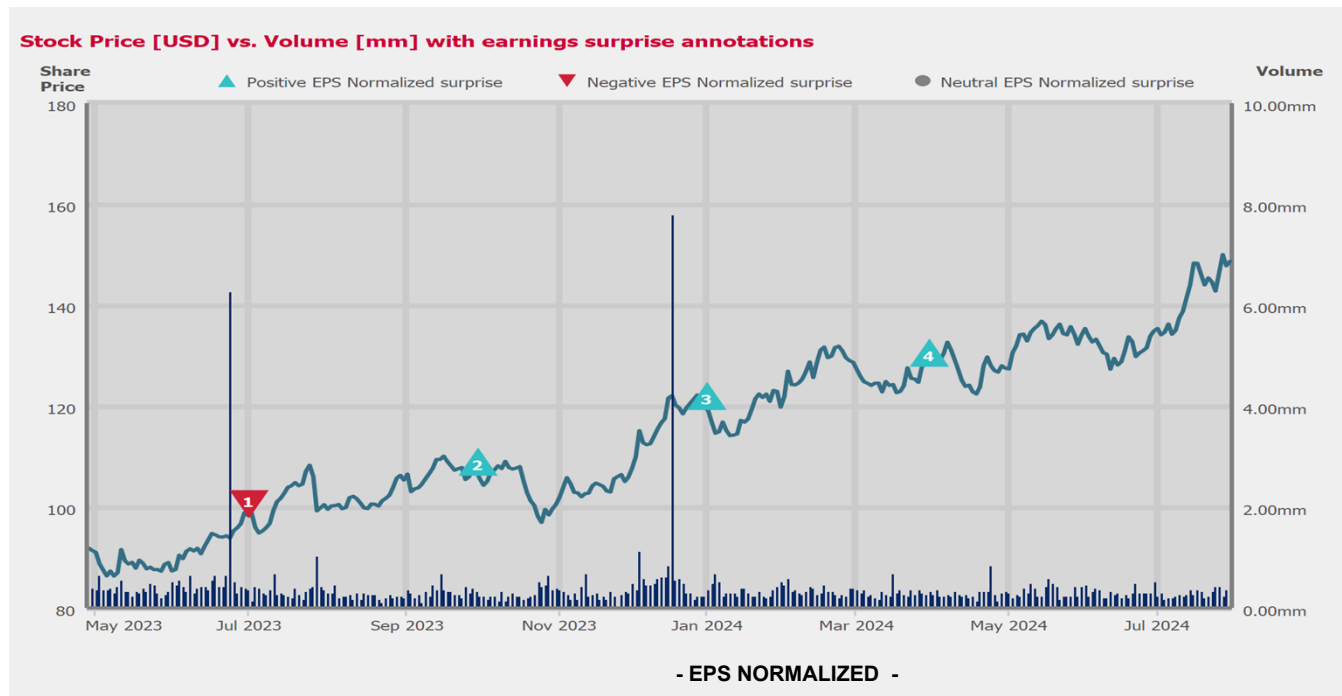
Tuesday, July 30, 2024 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2024-			-FQ1 2025-	-FY 2024-			-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	1.23	NA	NA	1.20	4.45	NA	NA	5.58
Revenue (mm)	508.99	NA	NA	508.67	1905.51	NA	NA	2239.33

Currency: USD

Consensus as of Jul-23-2024 5:13 AM GMT



	CONSENSUS	ACTUAL	SURPRISE
FQ1 2024	1.02	0.89	▼ (12.75 %)
FQ2 2024	1.03	1.11	▲ 7.77 %
FQ3 2024	1.14	1.22	▲ 7.02 %
FQ4 2024	1.23	1.27	▲ 3.25 %

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# Call Participants

## EXECUTIVES

**Christopher M. Crain**  
*MD, General Counsel & Secretary*

**J. Lindsey Alley**  
*MD & CFO*

**Scott Joseph Adelson**  
*CEO & Director*

**Unknown Executive**

## ANALYSTS

**Aidan Patrick Hall**  
*Keefe, Bruyette, & Woods, Inc.,  
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**Devin Patrick Ryan**  
*JMP Securities LLC, Research Division*

**James Edwin Yaro**  
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**James Francis Mitchell**  
*Seaport Research Partners*

**Kenneth Brooks Worthington**  
*JPMorgan Chase & Co, Research  
Division*

**Ryan Michael Kenny**  
*Morgan Stanley, Research Division*

# Presentation

## Operator

Good day, ladies and gentlemen. Thank you for standing by. Welcome to Houlihan Lokey First Quarter Fiscal Year 2025 Earnings Conference Call. [Operator Instructions]. Please note that this conference call is being recorded today, July 30, 2024.

I will now turn the call over to the company.

## **Christopher M. Crain** *MD, General Counsel & Secretary*

Thank you, operator, and hello, everyone. By now, everyone should have access to our first quarter fiscal year 2025 earnings release, which can be found on the Houlihan Lokey website at [www.hl.com](http://www.hl.com) in the Investor Relations section.

Before we begin our formal remarks, we need to remind everyone that the discussion today will include forward-looking statements. These forward-looking statements, which are usually identified by use of words such as will, expect, anticipate, should or other similar phrases are not guarantees of future performance. These statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from what we expect. And therefore, you should exercise caution when interpreting and relying on them.

We refer all of you to our recent SEC filings for a more detailed discussion of the risks that could impact our future operating results and financial condition. We encourage investors to review our regulatory filings, including the Form 10-Q for the quarter ended June 30, 2024, when it is filed with the SEC.

During today's call, we will discuss non-GAAP financial measures, which we believe can be useful in evaluating the company's financial performance. These measures should not be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP. A reconciliation of these measures to the most directly comparable GAAP measures is available in our earnings release and our investor presentation on the [hl.com](http://hl.com) website.

Hosting the call today, we have Scott Adelson, Houlihan Lokey's Chief Executive Officer; and Lindsey Alley, Chief Financial Officer. They will provide some opening remarks, and then we will open the call to questions.

With that, I'll turn the call over to Scott.

## **Scott Joseph Adelson** *CEO & Director*

Thank you, Christopher. Welcome, everyone, to our first quarter fiscal 2025 earnings call. We ended the quarter with revenues of \$514 million and adjusted earnings per share of \$1.22. Revenues were up 24%, and adjusted earnings per share were up 37% compared to the same quarter last year.

We began the new fiscal year with strength in all 3 of our business lines. And we concluded the first quarter with a solid increase in corporate finance, improving financial and valuation advisory services, and continued elevated levels of financial restructuring revenues.

Overall, we remain optimistic that current market conditions will drive improved M&A activity throughout the year even as macro elements of uncertainty, including the interest rate environment and U.S. presidential elections persist.

Corporate Finance produced \$328 million in revenues for the quarter, a 45% increase over last year's first quarter and our highest first quarter corporate finance revenues ever. Key metrics for our Corporate Finance business continue to see steady improvement. Our transaction size and average fee per transaction is increasing, especially outside the U.S. The average close rate on transactions is increasing, and the time it takes to close a transaction is seeing slight improvement, though still lengthier than historical norms. As long as these trends remain, we should see improvement in our corporate finance business versus the same periods last year.

Finally, capital providers in the middle market are aggressively seeking to deploy capital, benefiting middle market M&A and resulting in a strong start to the year for our capital markets business.

Financial restructuring produced \$117 million in revenues for the first quarter, the second highest first quarter revenue for this business. As we have mentioned, in previous calls, for fiscal 2025, we expect our financial restructuring business to perform similarly

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to the first 3 quarters of fiscal 2024. These elevated levels of financial restructuring activity are supported by persistently higher interest rates, political dislocation, especially in Europe, and accelerated refinancings due to corporate maturities occurring over the next couple of years. However, as general market conditions continue to improve, some of this restructuring activity could turn into healthy refinancing activity and our capital markets business is well positioned to take advantage of this opportunity.

Financial and Valuation Advisory produced \$68 million in revenues for the first quarter, a 4% increase versus the first quarter last year. Many of the same underlying trends that are affecting our corporate finance business are starting to positively impact our FDA business. Our less cyclical services like portfolio valuation have continued to perform well throughout this challenging economic backdrop, while our more procyclical businesses have started to gain momentum.

In the quarter, we completed the acquisition of Triago, making a significant expansion of our private funds capabilities and adding 7 managing directors to our business. The team has had positive early momentum and success in marketing our new fully integrated capabilities across primary, secondary, directs and GP advisory markets. More than 70 finance professionals now make up our private funds practice globally, positioning us to be a holistic adviser across products and geographies.

In total, we added 27 new managing directors in the quarter. Hiring 6 new managing directors in addition to the 7 who joined us through the Tiago transaction, and we would like to congratulate the 14 managing directors who were promoted from Director during the first fiscal quarter as part of our year-end process. Also, as part of the year-end process, we had 11 mostly planned managing director departures. We continue to see a very strong hiring market for new senior talent and a steady flow of new candidates as we add to the most talented workforce in our firm's history.

We are optimistic about fiscal 2025 given the signs of improving M&A and capital markets activity. Given the investments we have made across our businesses over the last several years, we are especially well positioned to capitalize on this recovery as it unfolds.

Lindsey, over to you.

**J. Lindsey Alley**  
*MD & CFO*

Thank you, Scott. Revenues in Corporate Finance were \$328 million for the quarter, up 45% when compared to the same quarter last year. We closed 116 transactions this quarter compared to 95 in the same period last year, and our average transaction fee was higher for the quarter versus the same quarter last year. .

Net restructuring revenues were \$117 million for the quarter, a 5% decrease versus the same period last year. We closed 33 transactions in the quarter compared to 30 in the same quarter last year, but our average transaction fee on closed deals decreased. As we've mentioned in the past, given the nature of the business, revenues in our Financial Restructuring business can be lumpy quarter-to-quarter.

For Financial and Valuation Advisory, revenues were \$68 million for the quarter, a 4% increase from the same period last year. We had 847 [indiscernible] events during the quarter compared to 786 in the same period last year.

Turning to expenses. Our adjusted compensation expenses were \$316 million for the quarter versus \$256 million for the same period last year. Our only adjustment was \$14.2 million for deferred retention payments related to certain acquisitions. Our adjusted compensation expense ratio for the first quarter in both fiscal 2025 and 2024, was 61.5%. We expect to maintain our long-term target of 61.5% for our adjusted compensation expense ratio.

Our adjusted noncompensation expenses were \$80 million for the quarter, an increase of 6% over the same period last year. This resulted in an adjusted noncompensation expense ratio of 15.6% for the quarter compared to 18.2% for the same period last year. On a per employee basis, our adjusted noncompensation expense was \$31,000 this quarter versus \$29,000 for the same quarter last year.

For the quarter, we adjusted out of our noncompensation expenses, \$3.5 million in noncash acquisition-related amortization and \$3.6 million for acquisition-related costs. Which was primarily related to the write-down of the assumed lease in New York as part of the Tiago acquisition. We also had an adjustment of \$500,000 pertaining to professional fees associated with streamlining our global organizational structure also referred to as Project Solo.

Our adjusted other income and expense produced income of approximately \$5.1 million versus income of approximately \$3 million in the same period last year. The improvement in this category was primarily due to a net increase in interest income. We adjusted out of other income and expense, a loss of \$828,000, related to the increase in value of an earn-out liability associated with one of our prior acquisitions. We treat all acquisition-related earn-outs at purchase price and adjust out of our P&L, any significant changes in the value of these earnouts.

Our adjusted effective tax rate for the quarter was 31.2% compared to 29.2% for the same quarter last year. The increase in our adjusted tax rate was driven primarily by increased nondeductible expenses for the quarter. We adjusted out of our GAAP effective tax rate, a significant benefit that we received as a result of our stock vesting in the first quarter, we also adjusted out a onetime reversal of a deferred tax asset. Our long-term target for our adjusted effective tax rate is between 28% and 30%, and we expect fiscal 2025 to end up at the high end of that range.

Turning to the balance sheet. As of quarter end, we had approximately \$485 million of unrestricted cash and equivalents and investment securities. Our cash position declined this quarter as we paid a significant portion of our fiscal 2024 bonuses to employees in May. Also in our first quarter, we issued approximately 1 million new shares to employees as part of our fiscal 2024 year-end compensation, and we repurchased through withhold to cover approximately 800,000 shares during the month of May. And with that, operator, we can open the line for questions.

# Question and Answer

## Operator

[Operator Instructions]. The first question comes from the line of Brennan Hawken with UBS.

### **Brennan Hawken**

*UBS Investment Bank, Research Division*

I would like to start on Corporate Finance. Good to see breaking out of the prior range, and it certainly sounds like from your prepared remarks, the outlook for that business continues to improve. So is there a historical context that you could give? Or is there a way in which we should be thinking about the potential growth and what indicators we should be watching as we continue to monitor the situation?

### **Scott Joseph Adelson**

*CEO & Director*

I think it's really consistent with what we've been saying for a number of quarters now, that we continue to see things improving and they are continuing to improve. And we have benefited, as we've said, particularly in Europe from a very different reputation than we had prior to our transaction a couple of years ago. As the market increases, we are seeing improvement in average deal size, in our close rates, in our fees and so forth, and all of that just enuring to our benefit.

### **J. Lindsey Alley**

*MD & CFO*

And the only thing I'd add, Brennan, is, we do have a seasonal business, as I think most of you know. And so we just think about it in terms of how the next quarter will perform versus the same quarter last year, and that moved into the third quarter for us in Q4. And that's primarily in our corporate finance and our FDA business. As you know, our restructuring business tends to be a bit lumpy or maybe a little less seasonal, but certainly for Corporate Finance and FDA, we are comparing versus the same quarter last year. And I think our comments were generally around, look, if conditions continue to behave the way they are, improve the way they are, we should expect to see growth -- good growth quarter-over-quarter.

### **Brennan Hawken**

*UBS Investment Bank, Research Division*

Got it. That's clear. On restructuring, and we've recently seen what I believe is the first full-blown restructuring from the creditor of Direct Lending Group. Curious to hear your views on this. Maybe is this more of a one-off? Or do you think this might be a sign of building stress behind all of the liability management mandates that we've seen in recent years. And if that's the case, could that provide some upside given that full-blown restructurings do tend to be more profitable than liability management?

### **J. Lindsey Alley**

*MD & CFO*

I mean I'll take a stab at that. Brennan, I'm not familiar with the restructuring that you mentioned. We still think that the credit markets remain quite healthy. And continue to be in the middle market, our primary source of capital. And so there is quite a bit of leverage out there. There will be some players that perform well and others that do not. But we don't -- we're not looking at this restructuring that you mentioned as a sign of things to come.

## Operator

Next question comes from the line of James Yaro with Goldman Sachs.

### **James Edwin Yaro**

*Goldman Sachs Group, Inc., Research Division*

Maybe just starting with Corporate Finance and specifically on the sponsor side of the business. Maybe if you could just provide your thoughts on how much those improved over the last few months? And then over what time period would you expect sponsor M&A to fully normalize? And would we need to see rates come down for that to occur?

### **Scott Joseph Adelson**

*CEO & Director*

Good set of questions. I mean -- I think when you take a look, it has been that continued improvement in the sponsor world as well. You do see people gaining confidence in moving deals forward. We've been saying that, again, for quarters, and this is just a continuation of it. I can't sit here and tell you when that will exactly peak or die. That crystal ball is not available to me. Having said that, everything is continuing in the direction that we have expected it to. And we just [indiscernible] everything that we are seeing right now says it will continue.

**James Edwin Yaro**

*Goldman Sachs Group, Inc., Research Division*

Okay. That's very helpful. Maybe just on the private funds businesses. You talked about the size of the business that -- those numbers are very helpful. But maybe just your -- if you take a step back, your views on the durability of the industry growth that we're seeing in that business and which pockets within the business you see the best opportunities to grow in and take market share?

**Scott Joseph Adelson**

*CEO & Director*

I think when you're talking about the private funds group, it really is in our view, a rapidly evolving part of the market, less so on the primary side, more on the secondaries and directs and stakes that there -- we are still in very early days of that as the entire alternative asset class really matures as an industry along [ thinking ] things like this, and we think that there is a lot of growth, and that's why we've made the investments that we've made in it. And we are very pleased with our early indications of how things are going.

**Operator**

Next question comes from the line of Devin Ryan with JMP Securities.

**Devin Patrick Ryan**

*JMP Securities LLC, Research Division*

I want to pick up on the comment on the average fee size outside the U.S. And it sounds like GCA has been a nice catalyst for the European business. And now that it's been integrated. Just curious kind of the network effects that you might be seeing on productivity for either the legacy European bankers within Houlihan or even connectivity into their U.S. counterparts. And I'm just trying to think about what this all implies potentially for upside to average banker productivity over time, just given that there were so many bankers added with GCA and it sounds like it's going pretty well.

**Scott Joseph Adelson**

*CEO & Director*

Yes. I mean I think that there is a -- we're a very different firm. Each individual firm, if you will, is very different than before the transaction than we are on a combined basis afterwards and our importance to the marketplace. And the ability for us to truly deliver an international footprint with our capital markets capabilities with our sponsor capabilities has certainly driven a different type of business than I would say either individuals was seeing before. And as markets return, we expect to continue to see that momentum.

**Devin Patrick Ryan**

*JMP Securities LLC, Research Division*

All right. And just a follow-up on just the capital market outlook and maybe the interplay as well just with the restructuring business. And I'm curious, obviously, the M&A business has been relatively depressed. It has started to pick up, restructuring has been healthy and may tick down, but more traditional kind of capital markets activity may open up as a result.

So I'm just kind of curious how, one, that business has been trending. And then two, the interplay with that business restructuring slowed down, but the M&A business is picking up?

**Unknown Executive**

Yes. I mean the capital markets business has continued to grow, I think, for a number of reasons. And as we continue to see growth in private capital markets, obviously, being one of them as that market heats up. Obviously, there are certain restructurings that in a less robust financing environment may have become -- restructurings may wind up being capital markets opportunities. We think we're well positioned with -- in either direction that those had. But the capital markets business is continuing to grow for multiple reasons on just that.



**Operator**

Next question comes from the line of Ken Worthington with JPMorgan.

**Kenneth Brooks Worthington**

*JPMorgan Chase & Co, Research Division*

On FDA, revenue was up quarter-over-quarter. But as we look sort of year-over-year growth at sort of 4%, in what seems like an easier comp comparison, we've seen deceleration in growth from what we've seen in recent quarters. If you can give us a little more detail on the variance in revenue generation from this quarter last year and maybe why we're not seeing better growth more recently in that area, given how strong markets are and sort of the rebound we're starting to see in M&A and the impact that, that we would expect would have there versus what we saw this time last year. What are the puts and takes?

**J. Lindsey Alley**

*MD & CFO*

Yes. I mean, I think, yes, for FDA, as a reminder, the last couple of years, when I'd say the M&A markets were down pretty significantly, not only for our peers, but for us, FDA was flat. And so we had a pretty good couple of years where most certainly M&A-focused firms were down. And so for us, we're actually quite happy with the growth in M&A this quarter -- or sorry, with FDA this quarter. There are several business lines within FDA, some of which are traditionally kind of M&A market driven, others of which are -- have nothing to do with the current state of the market. And so I think coming off a couple of good years in FDA on a relative basis, I think quarter-over-quarter growth here is something we're pretty happy about. And I'd say the mix of the service lines is probably going to result in FDA growing slower than Corporate Finance as these markets come back.

And that's the nature of the business. And good strong M&A markets, it tends to grow a little bit slower than a pure M&A business because of the noncyclical businesses that it's in or say that noncyclical businesses it's in. And then in tougher markets, it tends to perform better. And so I think that's probably what you're seeing.

**Kenneth Brooks Worthington**

*JPMorgan Chase & Co, Research Division*

Okay. Can you give us -- actually give us a little more color on those nonmarket-sensitive businesses and how they're doing and even on the rebound that you're seeing in the more market-sensitive businesses. Again, can you just take us one level deeper and give us a little more color?

**J. Lindsey Alley**

*MD & CFO*

Yes. We don't get into specific line item performance in FDA. I will say, is the non-market sensitive businesses, did certainly better than the businesses that were M&A focused in FDA. But we don't get into the details, Ken, on which businesses are performing in terms of the specifics, in terms of how the businesses are performing within FDA.

**Kenneth Brooks Worthington**

*JPMorgan Chase & Co, Research Division*

Right. Then a super simple one on tax. You mentioned tax for the rest of the year kind of should come at the high end of the historic range. What's driving the tax to be at the high end versus the low end? Against mix of business, in what's happening in the mix.

**J. Lindsey Alley**

*MD & CFO*

Yes, it's a -- It's a few things. I think it is -- as you know, we have pretty big businesses and some of the higher jurisdictions in Europe. So the higher tax jurisdictions in Europe. So U.K., Germany, we have a big business in Japan, all of which are performing pretty well. So that's going to drive our tax rate a little bit higher. And that's probably the primary thing driving it. And so I think as long as we're optimistic about some of the larger markets with higher taxes that we're in, you're going to see us towards the high end of that range.

**Operator**

Next question comes from the line of Brendan O'Brien with Wolfe Research.

**Brendan James O'Brien**

*Wolfe Research, LLC*

I guess to start, I just wanted to follow up on the European business. I just wanted to get a sense as to how activity is trending in Europe relative to the U.S. specifically whether the recent rate cuts by the ECB have had any material impact on activity levels in the region?

**Scott Joseph Adelson**  
*CEO & Director*

I mean, really, from our perspective, we continue to see it picking up like it has in the U.S. If anything, I would say it has lagged it a little bit in that pickup. But directionally, everything is heading in the same directions, it is just more about pace.

**Brendan James O'Brien**  
*Wolfe Research, LLC*

Got you. And I guess pivoting to restructuring and your comments indicating that we could see a tail off in activity if M&A activity were sort of pick up more meaningfully, which makes sense given the historical relationships between the 2 businesses. I know in the past, you guys have spoken to the business kind of seeing higher floors and higher ceilings as you continue to grow.

So I just want to get a sense as to how we should be thinking about the trajectory of restructuring over the next couple of years and maybe where that number could settle out?

**Scott Joseph Adelson**  
*CEO & Director*

Yes. I mean I think that -- just to be clear, it's M&A, but even more so capital markets, the availability of capital picks up is more so than M&A is really what can drive some solutions to more distressed situations. When you -- when we're looking at our distressed business, we have seen it over time, reach new levels there [indiscernible] as people continue to utilize debt and multiple tranches of debt increasingly around the world. That market is just growing. There will always be a percentage that wind up in default for one reason or another.

And even without -- we still have elevated interest rates and likely will for a period of time. And right now, we still have, I'll call it, we never -- haven't been in this cycle at extraordinary default rates. It's just been normal default rates but we've gotten so used to, really, almost nonexistent default rates prior to that. This is in our minds, very much, the new normal. How long that exists for it, time will tell, but we expect the elevated levels to persist for a while.

**Operator**

Next question comes from the line of Ryan Kenny with Morgan Stanley.

**Ryan Michael Kenny**  
*Morgan Stanley, Research Division*

Can you unpack the comment in the prepared remarks around time to close corporate finance transactions seeing some improvement. That feels like a much better environment and discussion than we were in last year. When we were talking about lags on -- at earnings calls. So what's really driving that change?

**Scott Joseph Adelson**  
*CEO & Director*

I mean, look, the sentiment that everything that we're discussing and all of our peers have been discussing as well as the pickup in the M&A market, and some of that is, as we've discussed, there are reasons why [ where deals ] had been dragging on just one more piece of information that we want one more schedule. Some of that is starting to subside. I would not say that we are back in any way to, I'd call it, optimistic or even probably normal time frame, but it is improving, and that is good to see.

**Ryan Michael Kenny**  
*Morgan Stanley, Research Division*

And on sponsors, I heard the comments earlier around sponsor activity improving. Can you just walk through how the recent rotation to mid-cap stocks and value stocks is impacting conversations with sponsors. Is that a meaningful catalyst to get movement on their portfolio of companies?

**Scott Joseph Adelson**  
*CEO & Director*

That really isn't something that I would say people are massively fixated on, and certainly something that we have seen. It is a bit of a different attitude when you're buying a stock for years versus effectively renting it. It's just a different mentality between public and private markets.

**Operator**

Next question comes from the line of Jim Mitchell with Seaport Global.

**James Francis Mitchell**  
*Seaport Research Partners*

Maybe just following up on the last question. On that last question, in terms of, maybe just smaller deals. Generally, I think in the past, you've talked about smaller deals and financial sponsors typically rebounding more quickly than larger deals. Are you seeing that? Is that part of the positive outlook? How are you -- how is it playing out in terms of the smaller deals coming to market relative to the overall market?

**Scott Joseph Adelson**  
*CEO & Director*

I mean I would say we are just seeing a normal mix within our portfolio of things [indiscernible] I can't point to that they are smaller or larger, really, it is a fairly normal mix at this point. There's no trend there.

**James Francis Mitchell**  
*Seaport Research Partners*

Okay. And then just maybe on MD headcount. I appreciate that it's lumpy, in terms of leaving and hirings and things like that. But if you look at the last 4 quarters, year-over-year growth has been around 1% to 2%. Was that sort of a -- kind of deliberate slowing in the environment and we should expect that pace to pick up? Or how should we think about MD head count from here?

**Scott Joseph Adelson**  
*CEO & Director*

I think we are constantly looking for talent. And unfortunately, as I always joke, you can't go to the investment banker store and pick up a few. I mean, it is a process for us, and we are constantly looking. And when we see talent that we think will -- we mutually agree is a good fit. We do our best to attract that talent. And so that is -- we don't think about it so much as, hey, we're going to go hire 10 MDs this quarter or something like that. That's not the way we think about it.

**James Francis Mitchell**  
*Seaport Research Partners*

But should we expect at least sort of more historical growth going forward? I mean [ now ] from a net head count perspective, you've been mid-high single digits. Is that a fair way to think about the next couple of years?

**J. Lindsey Alley**  
*MD & CFO*

Yes, I think that's fair. Look, I think the last couple of years, we had a slowdown in the M&A markets. And I think we, along with every other firm kind of took a step back and said, do we want to make some changes within the organization to kind of rightsize our workforce around the last couple of years, and we probably did that along with everybody else. And so you're probably seeing some puts and takes in terms of new hires versus departures over the last couple of years that won't exist in a high capacity environment.

And so yes, probably [indiscernible] our growth looked like for the 5 years prior to 2 years ago and then that's a decent proxy. Maybe take GCA out, that's a decent proxy for what our growth and head count could look like.

**Operator**

Our next question comes from the line of James Yaro with Goldman Sachs.

**James Edwin Yaro**  
*Goldman Sachs Group, Inc., Research Division*

I just wanted to touch on the noncomp expenses. It did fall for the second consecutive quarter, again and despite the much stronger revenue. Maybe you could just talk to the updated trajectory for noncomp that we should be thinking about?

And then maybe any thoughts on -- maybe your best guess for what a normalized noncomp ratio looks like? I know that's changed a lot over the past few years and with COVID and then obviously, with travel increasing. But just any thoughts there?

**J. Lindsey Alley**  
*MD & CFO*

Yes. I think with respect to noncomp, the comments I've made before, I think, are probably similar, James. We expect noncomp this year -- the last couple of years, noncomp has been at that 15%, 16% growth. We don't expect it to be like that this year. We expect it to kind of normalize and whether it normalizes kind of mid- to high-single digits, not sure of. I think it depends on a whole number of factors, including revenue because there are reimbursable expenses in there. But I don't think that's a bad way to think about noncomp. And I think this quarter was roughly 6%, and versus last year's same quarter, and it was a good quarter with respect to managing noncomp.

We still expect pressure on our investments in information technology. We still expect pressure on PME just given some of the inflation concerns. And then in terms of what a normal noncomp looks like from a ratio standpoint, it's hard to tell. It's hard to tell how quickly revenues are going to return. And so I'm a little hesitant to mention that just because we've been in sort of, like I said, kind of an M&A recession here for the last couple of years, and it is 100% driven by revenues. And so in terms of how to answer your question, we feel like that we have a much better prediction of what noncomp is going to look like for the next 3 quarters and we do what revenue is going to look like. But I think we remain optimistic on both. It's hard for me to answer your ratio question until I have a better sense of how quick revenues will return.

**Operator**

Next question comes from the line of Aidan Hall with KBW.

**Aidan Patrick Hall**  
*Keefe, Bruyette, & Woods, Inc., Research Division*

Maybe just one on the inorganic side. Inorganic growth has been a large part of the story at the firm. Just wondering if you could just give us any color around, characterize, kind of the pipeline or conversations that you're having. Just giving the building activity seen across the industry. And if there's any areas of -- that are particularly attractive to you from an organic perspective that you would flag?

**Scott Joseph Adelson**  
*CEO & Director*

Yes, great question. And I think that we've obviously stated that is a part of our business model and part of our growth, and we continue to be committed towards it, and we are in constant dialogue with a number of parties. And at the end of the day, the thing that is driving it most is finding whom should we really think are a super strong cultural fit to our organization. And again, a little bit like the bankers don't know exactly when they're going to fall in, but it's -- you could rest assure that we are constantly in dialogue with people and things are moving along as they have been in the past.

**J. Lindsey Alley**  
*MD & CFO*

And just a follow-up on the specifics. I think look to think about it this way, we have 300, 400 subsectors in the industry, some of which we are strong in and some of which we are underweighted. The ones that we're underweighted is kind of game on for acquisitions or organic hires. And it really -- to Scott's point, it is we want to fill every single one of them out in the U.S. That's our ultimate objective. And if we find the right person through an organic hire to help us become strong in that subsector, we will. And if an acquisition makes the most sense, we'll pull that lever. And so really, the whole strategy is filling up those underweighted sectors in industry, and we believe there are hundreds of them.

**Operator**

Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to turn the floor over to Scott Adelson for closing comments.

**Scott Joseph Adelson**  
*CEO & Director*

I want to thank you all for participating in our first quarter fiscal 2025 earnings call. We look forward to updating everyone on our progress when we discuss our second quarter results for fiscal 2025 this coming fall. Thank you.

**Operator**

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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