

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2017

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 001-36869



**PJT Partners Inc.**

(Exact name of Registrant as specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
280 Park Avenue  
New York, New York  
(Address of principal executive offices)

36-4797143  
(I.R.S. Employer  
Identification No.)

10017  
(Zip Code)

Registrant's telephone number, including area code: (212) 364-7800

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Class A common stock, par value \$0.01	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>	
	Emerging growth company <input type="checkbox"/>	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of June 30, 2017, the aggregate market value of the Registrant's Class A common stock (based upon the closing stock price) held by non-affiliates was \$719.6 million.

As of February 21, 2018, there were 18,863,135 shares of Class A common stock, par value \$0.01 per share, and 213 shares of Class B common stock, par value \$0.01 per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Definitive Proxy Statement relating to its 2018 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PJT Partners Inc. was formed in connection with certain merger and spin-off transactions whereby the financial and strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses of The Blackstone Group L.P. (“Blackstone” or our “former Parent”) were combined with PJT Capital LP, a financial advisory firm founded by Paul J. Taubman in 2013 (together with its then affiliates, “PJT Capital”), and the combined business was distributed to Blackstone’s unitholders to create PJT Partners Inc., a stand-alone, independent publicly traded company. Throughout this Annual Report on Form 10-K, we refer to this transaction as the “spin-off” or the “acquisition.” PJT Partners Inc. is a holding company and its only material asset is its controlling equity interest in PJT Partners Holdings LP, a holding partnership that holds the company’s operating subsidiaries, and certain cash and cash equivalents it may hold from time to time as described herein in “Part II. Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend Policy.” As the sole general partner of PJT Partners Holdings LP, PJT Partners Inc. operates and controls all of the business and affairs of PJT Partners Holdings LP and its operating subsidiaries.

Additionally in this Annual Report on Form 10-K, unless the context requires otherwise, the words “PJT Partners Inc.” refers to PJT Partners Inc., and “PJT Partners,” the “Company,” “we,” “us” and “our” refer to PJT Partners Inc., together with its consolidated subsidiaries, including PJT Partners Holdings LP and its operating subsidiaries.

### **Forward-Looking Statements**

Certain material presented herein contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements include certain information concerning future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “plan,” “intend,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “may,” “might,” “should,” “could” or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in such forward-looking statements. You should not put undue reliance on any forward-looking statements contained herein. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

The risk factors discussed in the “Risk Factors” section of this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (“SEC”), accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov), could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that are not currently expected to have a material adverse effect on our business. Any such risks could cause our results to differ materially from those expressed in forward-looking statements.

### **Website Disclosure**

We use our website ([www.pjtpartners.com](http://www.pjtpartners.com)) as a channel of distribution of company information. The information we post may be deemed material. Accordingly, investors should monitor the website, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about PJT Partners when you enroll your e-mail address by visiting the “Investor Relations” page of our website at [ir.pjtpartners.com/investor-relations](http://ir.pjtpartners.com/investor-relations). Although we refer to our website in this report, the contents of our website are not included or incorporated by reference into this report. All references to our website in this report are intended to be inactive textual references only.

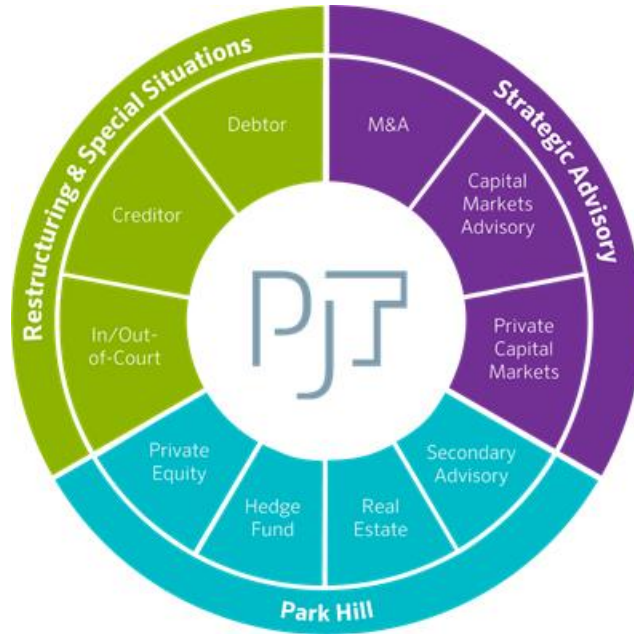
## PART I.

### ITEM 1. BUSINESS

#### Overview

PJT Partners is a global advisory-focused investment bank. Our team of senior professionals delivers a wide array of strategic advisory, restructuring and special situations and private fund advisory and placement services to corporations, financial sponsors, institutional investors and governments around the world. We offer a unique portfolio of advisory services designed to help our clients achieve their strategic objectives. We also provide, through Park Hill Group, private fund advisory and placement services for alternative investment managers, including private equity funds, real estate funds and hedge funds. PJT Partners began trading on the New York Stock Exchange (“NYSE”) under the symbol “PJT” on October 1, 2015.

We have world-class franchises in each of the three areas in which we compete:



#### Strategic Advisory

Our team of leading Strategic Advisory professionals delivers innovative solutions to highly complex challenges across mergers and acquisitions (“M&A”), Strategic Advisory and Capital Markets Advisory. Our strategic advisory business offers a broad range of financial advisory and transaction execution capability, including M&A, joint ventures, minority investments, asset swaps, divestitures, takeover defenses, corporate finance advisory, private placements and distressed sales.

#### Restructuring and Special Situations

Our restructuring and special situations business is one of the world’s leading advisors in restructurings and recapitalizations, both in and out of court, around the globe. With vast expertise in highly complex capital structure challenges, our Restructuring and Special Situations Group’s services include advising companies, creditors and financial sponsors on recapitalizations, reorganizations, exchange offers, debt repurchases, capital raises and distressed mergers and acquisitions.

Park Hill Group, our private fund advisory and placement business, is a world-leading fund placement agent in each of the principal alternative asset classes, providing private fund advisory and placement services for a diverse range of investment strategies. Moreover, Park Hill Group is the only group among its peers with top-tier dedicated private equity, hedge fund, real estate and secondary advisory groups.

### ***Our Key Competitive Strengths***

We intend to execute on our strategy by capitalizing on the following strengths of our organization:

- ***Strong Legacy, New Energy.*** PJT Partners combines three decades of experience and excellence with the energy and enthusiasm of a new firm. Our teams act as trusted advisors to a diverse group of clients around the world, providing clients with creative solutions addressing a range of complex strategic initiatives. The creativity and depth of our advice, and the integrity and judgment with which we deliver it, provide a strong foundation for our new and growing business. The quality of our advice is core to what we do.
- ***One Dedicated Firm with Three Highly Complementary Businesses.*** Our firm benefits from having three leading and complementary businesses. Our differentiated and diverse portfolio of industry, product and geographical expertise enables us to serve our clients in a unique way. Our premier advisory practices allow us to provide best-in-class advice to clients whether they are looking for growth through strategic alternatives, advice in a restructuring or reorganization or access to capital. Our deep networks across businesses allow us to connect clients and help them meet their strategic objectives.
- ***Defined by Deep Relationships.*** Our partners have decades of experience and long-standing relationships with a vast network of corporate executives, board members, financial sponsors, fund managers and governments. Their expertise across multiple product areas, industry verticals and geographies are sought by clients in complex, cross-border situations in dozens of countries. Our Park Hill business has generated long-standing relationships across Europe, the Middle East, Africa and Asia that give them unique access to global capital and drives incremental value for our clients.
- ***Global Market Leadership.*** Our Restructuring and Special Situations Group is a global market leader. Our Park Hill business has a leading market position across all four of its businesses: private equity, hedge funds, real estate and secondary advisory. Our rapidly growing premier Strategic Advisory business is comprised of industry leading practitioners and has been the named advisor on some of the most high-profile and complex transactions.
- ***Strong Character, Culture and Collaboration.*** We have a cohesive partnership centered around core values, including character, culture and collaboration. Our culture provides the ideal environment for idea sharing, collaboration and innovation. Our bankers are encouraged to make frequent client connections and leverage the experience and insights of fellow partners to deliver clients optimal service and outcomes. Our culture also fosters retention of top talent and provides a superior platform from which to recruit top bankers at all levels.
- ***Clients' Results Are Our Reputation.*** Our success is built around the trust our clients have placed in us. We work every day to ensure that we are providing cutting edge advice on the critical matters facing our clients. We work to navigate our clients through complex challenges and bold opportunities to meet their strategic objectives. Delivering optimal outcomes is what we strive for – our clients' results are our reputation.

### ***Our Growth Strategy***

Our strategy to achieve our growth objectives has the following components:

- ***Maintain Market Leadership in Restructuring and Special Situations and Park Hill, while Expanding our Addressable Market.*** Our firm is strengthened by the deep client relationships and strong brand reputations we have in our leading restructuring and special situations and Park Hill businesses. These businesses are benefiting from the new, independent platform through expanded financial sponsor dialogues; the elimination of certain conflicts associated with our former Parent; and increased footprint and product expertise in our growing strategic advisory business.

- **Significantly Increase the Breadth and Depth of Our Advisory Franchise.** We are focused on expanding our capabilities in areas where a sizable market opportunity clearly exists by hiring expert, top-tier talent to expand into new industry verticals, geographies and product capabilities, which will enable us to offer increasingly comprehensive and valuable solutions to a broader base of clients.
- **Enhance Collaboration Among our Three Businesses to Better Serve Clients.** We operate a scaled, diversified global advisory franchise comprised of complementary businesses, which each share our culture of excellence, teamwork and entrepreneurship. Our partners and team members have relationships with a vast network of corporate executives, board members, financial sponsors, fund managers and governments as well as expertise in multiple product areas, industry verticals and geographies. By operating in a more integrated and cohesive manner we are able to offer our clients a comprehensive and differentiated suite of advisory services. In addition, our deep networks across our three businesses allow us to connect clients and provide incremental value in helping them meet their strategic objectives.
- **Remain the Premier Destination for Talent.** We will continue to attract best-in-class bankers who want to deliver a broad range of world-class services to their clients around the globe. We offer a unique and compelling proposition to them through our total focus on advisory services; commitment to building a culture of collaboration, character and growth; strong client relationships; deep and exceptional base of talent; and efficient and scalable support infrastructure.

### ***Our Talent***

As a global advisory-focused investment bank focused solely on providing innovative services to our clients, our people are our most valuable asset. Our partners average over 25 years of relevant experience, which they leverage to provide the highest quality advice across our broad suite of strategic advisory, restructuring and special situations and private fund advisory and placement services. Our partners are supported by a first-rate team of professionals and we are committed to developing and maximizing their talent and skills. We strive to maintain a work environment that fosters professionalism, excellence, integrity and collaboration among our employees.

We opportunistically and strategically hire professionals with experience and backgrounds relevant to our various businesses. We work with prestigious undergraduate and graduate programs that have resulted in a steady and high-quality pipeline of junior financial professionals. We place a high degree of emphasis on cultural fit and individual character. Across our firm we devote significant time and resources to training and mentoring our employees to ensure every individual achieves their highest possible potential. This philosophy of investing in our people has been and will continue to be core to our culture and organization.

As of December 31, 2017, we employed 473 individuals globally, including 61 partners.

### ***Competition***

The financial services industry is intensely competitive, and we expect it to remain so. Our competitors are other investment banking and financial advisory firms. These entities include brokers and dealers, investment banking firms and commercial banks. We compete on both a global and a regional basis, and on the basis of a number of factors, including depth of client relationships, industry knowledge, transaction execution skills, our range of products and services, innovation, reputation and price.

We also compete to attract and retain qualified employees. Our ability to continue to compete effectively in our business will depend upon our ability to attract new employees and retain and motivate our existing employees.

### ***Regulation***

Our business, as well as the financial services industry generally, is subject to extensive regulation in the U.S. and across the globe. As a matter of public policy, regulatory bodies in the U.S. and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. In the U.S., the SEC is the federal agency responsible for the administration of the federal securities laws. PJT Partners LP, through which strategic advisory and restructuring and special situations services are conducted in the United States, and Park Hill Group LLC, which is an entity within the Park Hill Group private fund advisory and placement services business, are registered broker-dealers. These registered broker-dealers are subject to regulation and oversight by the SEC. In addition, the Financial Industry Regulatory Authority ("FINRA"), a self-regulatory organization that is subject to oversight by the SEC,

adopts and enforces rules governing the conduct, and examines the activities of its member firms, which would include any such registered broker-dealer. State securities regulators also have regulatory or oversight authority over any such registered broker-dealer.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including capital structure, recordkeeping and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of a self-regulatory organization, we are subject to the SEC's uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital.

PJT Partners LP is registered as a "municipal advisor" with the SEC and the Municipal Securities Rulemaking Board (the "MSRB"). In 2013 as required under the Dodd-Frank Act, the SEC issued its final rule regarding the new category of regulated financial activity: "municipal advisors" (the "MA Rule"). The MA Rule, which became effective in 2014, imposes a fiduciary duty on municipal advisors when advising municipal entities. In addition to the SEC rule, the MSRB has developed a number of implementing rules and interpretive guidance relating to municipal advisors, and we have implemented policies and procedures reasonably designed to comply with such rules and guidance. In recent years, broker-dealer and municipal advisor interaction with municipal entities has become an area of greater rulemaking and regulatory interest; however, we do not expect a materially adverse impact on municipal advisory services.

Further, Park Hill Group is a registered commodity trading advisor with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA"), a futures industry self-regulatory organization. The CFTC and NFA regulate futures contracts, swaps and various other financial instruments in which certain of Park Hill Group's clients may invest.

In addition to the regulation we are subject to in the U.S., we are subject to regulation internationally. PJT Partners (UK) Limited is licensed with the United Kingdom's Financial Conduct Authority and is required to maintain regulatory net capital of €50 thousand. PJT Partners (HK) Limited is licensed with the Hong Kong Securities and Futures Commission and is subject to a minimum liquid capital requirement of HK\$3 million.

Certain parts of our business are subject to compliance with laws and regulations of U.S. federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, the privacy of client information. Any failure to comply with these regulations could expose us to liability and/or reputational damage.

The U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the U.S., are empowered to conduct periodic examinations and initiate administrative proceedings that can result in censure, fines, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees.

Broker-dealers are also subject to regulations, including the USA PATRIOT Act of 2001, which impose obligations regarding the prevention and detection of money-laundering activities, including the establishment of customer due diligence and other compliance policies and procedures.

Failure to comply with these requirements may result in monetary, regulatory and, in certain cases, criminal penalties. In connection with its administration and enforcement of economic and trade sanctions based on U.S. foreign policy and national security goals, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups and entities, such as terrorists and narcotics traffickers, designated under programs that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals," or SDNs. Assets of SDNs are blocked, and we are generally prohibited from dealing with them. In addition, OFAC administers a number of comprehensive sanctions and embargoes that target certain countries, governments and geographic regions. We are generally prohibited from engaging in transactions involving any country, region or government that is subject to such comprehensive sanctions.

The Foreign Corrupt Practices Act (the "FCPA") and the UK 2010 Bribery Act (the "UK Bribery Act") prohibit the payment of bribes to foreign government officials and political figures. The FCPA prohibits us from

making or offering to make any payment, or giving anything of value to a foreign official for the purpose of influencing that official to assist us in obtaining or retaining an improper business advantage. The FCPA has a broad reach, covering all U.S. companies and citizens doing business abroad, among others, and defining a foreign official to include not only those holding public office but also local citizens acting in an official capacity for or on behalf of foreign government-run or -owned organizations or public international organizations. The FCPA also requires maintenance of appropriate books and records and maintenance of adequate internal controls to prevent and detect possible FCPA violations. Similarly, the UK Bribery Act prohibits us from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage.

Park Hill Group is also affected by various state and local regulations or policies that restrict or prohibit the use of placement agents in connection with investments by public pension funds, including but not limited to, regulations in New York State, New York City, Illinois and California. Similar measures are being considered or have been implemented in other jurisdictions.

### ***Organizational Structure***

PJT Partners Inc. is a holding company and its only material asset is its controlling equity interest in PJT Partners Holdings LP, and certain cash and cash equivalents it may hold from time to time as described herein in “Part II. Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend Policy.” As the sole general partner of PJT Partners Holdings LP, PJT Partners Inc. operates and controls all of the business and affairs and consolidates the financial results of PJT Partners Holdings LP and its operating subsidiaries. The ownership interests of the holders (other than PJT Partners Inc.) of common units of partnership interest in PJT Partners Holdings LP (“Partnership Units”) are reflected as non-controlling interests in PJT Partners Inc.’s consolidated and combined financial statements as of December 31, 2017.

Our employees and certain current and former Blackstone executive officers and employees also hold all issued and outstanding shares of the Class B common stock of PJT Partners Inc. The shares of Class B common stock have no economic rights but entitle the holder, without regard to the number of shares of Class B common stock held, to a number of votes that is equal to the aggregate number of vested and unvested Partnership Units and LTIP Units (which is a class of partnership interests) in PJT Partners Holdings LP held by such holder on all matters presented to stockholders of PJT Partners Inc. other than director elections and removals. Blackstone’s senior management, including Mr. Schwarzman and all of Blackstone’s other executive officers, provided an irrevocable proxy to Mr. Taubman to vote their shares of Class B common stock for so long as Mr. Taubman is the Chief Executive Officer of PJT Partners Inc. With respect to the election and removal of directors of PJT Partners Inc., shares of Class B common stock initially entitle holders to only one vote per share, representing significantly less than one percent of the voting power entitled to vote thereon. However, the voting power of Class B common stock with respect to the election and removal of directors of PJT Partners Inc. may be increased to up to the number of votes to which a holder is then entitled on all other matters presented to stockholders. The voting power on applicable matters afforded to holders of partnership interests by their shares of Class B common stock is automatically and correspondingly reduced as they exchange Partnership Units for cash or for shares of Class A common stock of PJT Partners Inc. pursuant to the exchange agreement. If at any time the ratio at which Partnership Units are exchangeable for shares of Class A common stock of PJT Partners Inc. changes from one-for-one, the number of votes to which Class B common stockholders are entitled on applicable matters will be adjusted accordingly. Holders of shares of our Class B common stock will vote together with holders of our Class A common stock as a single class on all matters on which stockholders are entitled to vote generally, except as otherwise required by law.

We and the holders of Partnership Units (other than PJT Partners Inc.) also have entered into an exchange agreement under which they (or certain permitted transferees) have the right, subject to the terms and conditions set forth in the partnership agreement of PJT Partners Holdings LP, on a quarterly basis, to exchange all or part of their Partnership Units for cash or, at our election, for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Further, pursuant to the terms in the partnership agreement of PJT Partners Holdings LP, we may also require holders of Partnership Units who are not Service Providers (as defined in the partnership agreement of PJT Partners Holdings LP) to exchange such Partnership Units. The price per Partnership Unit to be received in a cash-settled exchange will be equal to the fair value of a share of our Class A common stock (determined in accordance with and subject to adjustment under the exchange agreement). In the event that PJT Partners Inc. elects to fund cash-settled exchanges of Partnership Units with new issuances of Class A common stock, the fair value of a share of our Class A common stock will be deemed to be equal to the net proceeds per share of Class A common stock received by PJT Partners Inc. in the



related issuance. Accordingly, in this event, the price per Partnership Unit to which an exchanging Partnership Unitholder will be entitled may be greater than or less than the then-current market value of our Class A common stock.

Refer to Note 12. “Transactions with Related Parties” and Note 13. “Commitments and Contingencies—Transactions and Agreements with Blackstone” in the “Notes to Consolidated and Combined Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” for further information about agreements entered into in connection with the spin-off.

The Company is organized as one operating segment. Financial and other information relating to our operating segment, including foreign and domestic operations for each of the last three fiscal years, is further described in Note 16. “Business Information” in the “Notes to Consolidated and Combined Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” of this filing.

#### ***Available Information***

We file annual, quarterly and current reports and other information with the SEC. These filings are available to the public over the internet at the SEC’s website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file at the SEC’s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

Our website address is [www.pjtpartners.com](http://www.pjtpartners.com). We make available free of charge on or through [www.pjtpartners.com](http://www.pjtpartners.com) our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Hard copies may be obtained free of charge by contacting Investor Relations at PJT Partners Inc., 280 Park Avenue, New York, New York 10017 or by calling (212) 364-7800. Although we refer to our website in this report, the contents of our website are not included or incorporated by reference into this report. All references to our website in this report are intended to be inactive textual references only.

### **ITEM 1A. RISK FACTORS**

#### **Risks Relating to Our Business**

***Our future growth will depend on, among other things, our ability to successfully identify, recruit and develop talent and will require us to commit additional resources.***

Our future growth will depend on, among other things, our ability to successfully identify and recruit individuals and teams to join our firm. It typically takes time for these professionals to become profitable and effective. During that time, we may incur significant expenses and expend significant time and resources toward training, integration and business development aimed at developing this new talent. If we are unable to recruit and develop profitable professionals, we will not be able to implement our growth strategy and our financial results could be materially adversely affected.

In addition, sustaining growth will require us to commit additional management, operational and financial resources and to maintain appropriate operational and financial systems to adequately support expansion, especially in instances where we open new offices that may require additional resources. There can be no assurance that we will be able to manage our expanding operations effectively, and any failure to do so could materially adversely affect our ability to grow revenue and control our expenses.

***Changing market conditions can adversely affect our business in many ways, including by reducing the volume of the transactions involving our business, which could materially reduce our revenue.***

As a participant in the financial services industry, we are materially affected by conditions in the global financial markets and economic conditions throughout the world, including many factors beyond our control. For example, a substantial portion of our revenue is directly related to the volume and value of the transactions in which we are involved. During periods of unfavorable market or economic conditions, the volume and value of M&A transactions may decrease, thereby reducing the demand for our M&A advisory services and increasing price competition among financial services companies seeking such engagements. In addition, during periods of strong market and economic conditions, the volume and value of restructuring and reorganization transactions may decrease, thereby reducing the demand for our restructuring and special situations services and increasing price competition among financial services companies seeking such engagements. Our results of operations would be adversely affected by any such reduction in the volume or value of such advisory transactions. Further, in the period following an economic downturn, the volume and value of M&A transactions typically takes time to recover and lags a recovery in market and economic conditions.

Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions.

***Our private fund advisory and placement services business is dependent on the availability of private capital for deployment in illiquid asset classes such as private equity, hedge and real estate funds for clients we serve.***

Park Hill Group provides private fund advisory and placement services for alternative investment managers, including private equity funds, real estate funds and hedge funds. Our ability to find suitable engagements and earn fees in this business depends on the availability of private and public capital for investments in illiquid assets such as private equity, hedge and real estate funds. Our ability to assist fund managers and sponsors raise capital from investors depends on a number of factors, including many that are outside our control, such as the general economic environment, changes in the weight investors give to alternative asset investments as part of their overall investment portfolio among asset classes, and market liquidity and volatility. Additionally, certain investors, such as public pension plans, may have policies prohibiting the use of placement agents by fund sponsors or managers in connection with a limited partner's investment. To the extent private and public capital focused on illiquid investment opportunities for our clients is limited, the results of Park Hill Group may be adversely affected.

***Our revenue in any given period is dependent in part on the number of fee-paying clients in such period, and a significant reduction in the number of fee-paying clients in any given period could reduce our revenue and adversely affect our operating results in such period.***

A substantial portion of our revenue in any given period is dependent in part on the number of fee-paying clients in such period. We had 120 clients and 114 clients that generated fees equal to or greater than \$1 million for the years ended December 31, 2017 and 2016, respectively. We may lose clients as a result of the sale or merger of a client, a change in a client's senior management, competition from other financial advisors and financial institutions and other causes. A significant reduction in the number of fee-paying clients in any given period could reduce our revenue and adversely affect our operating results in such period.

The composition of the group comprising our largest clients varies significantly from year to year, and a relatively small number of clients may account for a significant portion of our consolidated revenues in any given period. As a result, our operating results, financial condition and liquidity may be significantly affected by the loss of a relatively small number of mandates or the failure of a relatively small number of assignments to be completed. However, no client accounted for more than 10% of our total revenues for the years ended December 31, 2017 or 2016.

***We have recorded net losses in the past and we may experience net losses in the future.***

We have recorded consolidated or combined net losses in three of the five years ended December 31, 2017. A primary component of these net losses in each period was significant non-cash charges, consisting primarily of transaction-based equity-based compensation charges associated with Blackstone's initial public offering ("IPO") and in connection with the spin-off, the amortization of intangible assets that were recorded in connection with Blackstone's IPO and the acquisition of PJT Capital LP. We expect such non-cash charges to continue to be significant in future periods and, as a result, we may record net losses in future periods.

***If the number of debt defaults, bankruptcies or other factors affecting demand for our restructuring and special situations services declines, our restructuring and special situations business could suffer.***

We provide various financial restructuring and reorganization and related advice to companies in financial distress or to their creditors or other stakeholders. A number of factors affect demand for these advisory services, including general economic conditions, the availability and cost of debt and equity financing, governmental policy and changes to laws, rules and regulations, including those that protect creditors. In addition, providing restructuring and special situations advisory services entails the risk that the transaction will be unsuccessful, takes considerable time and can be subject to a bankruptcy court's discretionary power to disallow or discount our fees. If the number of debt defaults, bankruptcies or other factors affecting demand for our restructuring and special situations advisory services declines, our restructuring and special situations business would be adversely affected.

***We depend on the efforts and reputations of Mr. Taubman and other key personnel.***

We depend on the efforts and reputations of Mr. Taubman and our other senior bankers. Our senior banking team's reputations and relationships with clients and potential clients are critical elements in the success of our business. Mr. Taubman and our other senior executives and bankers are important to our success because they are instrumental in setting our strategic direction, operating our business, identifying, recruiting and training key personnel, maintaining relationships with our clients, and identifying business opportunities. The loss of one or more of these executives or other key individuals could impair our business and development until qualified replacements are found. We may not be able to replace these individuals quickly or with persons of equal experience and capabilities. Although we have employment agreements with certain of these individuals, we cannot prevent them from terminating their employment with us. In addition, our non-competition agreements with such individuals may not be enforced by the courts. The loss of the services of any of them, in particular Mr. Taubman, could have a material adverse effect on our business, including our ability to attract clients.

***Our ability to retain and motivate our partners and other key personnel is critical to the success of our business.***

Our future success and growth depends to a substantial degree on our ability to retain and motivate our partners and other key personnel. Our professionals possess substantial experience and expertise and have strong relationships with our clients. As a result, the loss of these professionals could jeopardize our relationships with clients and result in the loss of client engagements. We may not be successful in our efforts to retain and motivate the required personnel as the market for qualified advisory and funds advisory services professionals is extremely competitive.

As part of the spin-off, the Company granted a significant amount of restricted stock unit retention awards to PJT Partners personnel as well as restricted stock unit retention awards, subject to satisfaction of certain performance hurdles. A significant portion of such awards are expected to vest on March 31, 2018. The near-term vesting of these equity awards may diminish our ability to retain and motivate our professionals. There is no guarantee that our non-competition and current compensation arrangements with our professionals, in which we mandatorily defer a substantial portion of their annual incentive bonus in the form of equity awards with multi-year vesting periods, will provide sufficient protections or incentives to prevent our partners and other key personnel from resigning to join our competitors. The departure of a number of partners or groups of professionals could have a material adverse effect on our business and profitability.

***Our revenue and profits are highly volatile on a quarterly basis and may cause the price of our Class A common stock to fluctuate and decline.***

Our revenue and profits are highly volatile. We earn advisory fees, generally from a limited number of engagements that generate significant fees at key transaction milestones, such as closing, the timing of which is outside of our control. We expect that we will continue to rely on advisory fees for a substantial portion of our revenue for the foreseeable future. Accordingly, a decline in our advisory engagements or the market for advisory services would adversely affect our business. In addition, our financial results will likely fluctuate from quarter to quarter based on the timing of when fees are earned, and high levels of revenue in one quarter will not necessarily be predictive of continued high levels of revenue in future periods. Because advisory revenue is volatile and represents a significant portion of our total revenue, we may experience greater variations in our revenue and profits than other larger, more diversified competitors in the financial services industry. Fluctuations in our quarterly financial results could, in turn, lead to large adverse movements in the price of our Class A common stock or increased volatility in our stock price generally.

Because in many cases we are not paid until the successful consummation of the underlying transaction, our revenue is highly dependent on market conditions and the decisions and actions of our clients, interested third parties and governmental authorities. For example, we may be engaged by a client in connection with a sale or divestiture, but the transaction may not occur or be consummated because, among other things, anticipated bidders may not materialize, no bidder is prepared to pay our client's price or because our client's business experiences unexpected operating or financial problems. We may be engaged by a client in connection with an acquisition, but the transaction may not occur or be consummated for a number of reasons, including because our client may not be the winning bidder, failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or because the target's business experiences unexpected operating or financial problems. In these circumstances, we often do not receive significant advisory fees, despite the fact that we have devoted considerable resources to these transactions.

In addition, with respect to Park Hill Group, our private fund advisory and placement services business, we face the risk that we may not be able to collect on all or a portion of the fees that we recognize. The placement fees earned by Park Hill Group are generally recognized by us for accounting purposes upon the successful subscription by an investor in a client's fund and/or the closing of that fund. However, those fees are typically paid by a Park Hill Group client over a period of time with interest (for example, three to four years) following such successful subscription by an investor in a client's fund and/or the closing of that fund. There is a risk that during that period of time, Park Hill Group may not be able to collect all or a portion of the fees Park Hill Group is due for the funds advisory services it has already provided to such client. For instance, a Park Hill Group client's fund may be liquidated prior to the time that all or a portion of the fees due to Park Hill Group are due to be paid. Moreover, to the extent fewer assets are raised for funds or interest by investors in alternative asset funds declines, the placement fees earned by Park Hill Group would be adversely affected.

In addition, we face the risk that certain clients may not have the financial resources to pay our agreed-upon advisory fees. Certain clients may also be unwilling to pay our advisory fees in whole or in part, in which case we may have to incur significant costs to bring legal action to enforce our engagement agreements to obtain our advisory fees. We recorded an allowance for doubtful accounts at December 31, 2017 and 2016 of \$1.9 million and \$4.4 million, respectively.

***Future joint ventures, strategic investments and acquisitions may result in additional risks and uncertainties in our business.***

In addition to recruiting and internal expansion, we may grow our core business through joint ventures, strategic investments or acquisitions. In the event we make strategic investments or acquisitions, we would face numerous risks and would be presented with financial, managerial and operational challenges, including the difficulty of integrating personnel, financial, accounting, technology and other systems and management controls.

***Our failure to deal appropriately with actual, potential or perceived conflicts of interest could damage our reputation and materially adversely affect our business.***

We confront actual, potential or perceived conflicts of interest in our business. We have adopted various policies, controls and procedures to address or limit actual or perceived conflicts of interest. However, these policies, controls and procedures may not timely identify or appropriately manage such conflicts of interest as identifying and managing actual or perceived conflicts of interest is complex and difficult. It is possible that actual, potential or perceived conflicts could give rise to client dissatisfaction, litigation or regulatory enforcement actions. Our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including a reluctance of some potential clients and counterparties to do business with us.

***Employee or contractor misconduct, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and by subjecting us to legal liability and reputational harm.***

There is a risk that our employees or contractors could engage in misconduct that would adversely affect our business. For example, our business often requires that we deal with confidential matters of great significance to our clients. If our employees or contractors were to improperly use or disclose confidential information provided by our clients, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, current client relationships and ability to attract future clients. It is not always possible to deter such misconduct, and

the precautions we take to detect and prevent misconduct may not be effective in all cases. If our employees or contractors engage in misconduct, our business could be materially adversely affected.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom and other jurisdictions have significantly expanded the reach of their anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA or other applicable anti-corruption laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects, financial position or the market value of our common shares.

***We may face damage to our professional reputation or negative publicity if our services are not regarded as satisfactory or for other reasons.***

As an advisory service firm, we depend to a large extent on our relationships with our clients and reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with our services or we experience negative publicity related to our business and our people, regardless of whether the allegations are valid, it may be more damaging in our business than in other businesses.

***We face strong competition from other financial advisory firms, many of which have greater resources and broader product and services offerings than we do.***

The financial services industry is intensely competitive, and we expect it to remain so. Our competitors are other investment banking and financial advisory firms. We compete on both a global and a regional basis, and on the basis of a number of factors, including depth of client relationships, industry knowledge, transaction execution skills, our range of products and services, innovation, reputation and price. In addition, in our business there are usually no long-term contracted sources of revenue. Each revenue-generating engagement typically is separately solicited, awarded and negotiated.

We have experienced significant competition when obtaining advisory mandates, and we may experience pricing pressures in our business in the future as some of our competitors may seek to obtain increased market share by reducing fees.

Our primary competitors are large financial institutions, many of which have far greater financial and other resources and have the ability to offer a wider range of products and services. In addition, we may be at a competitive disadvantage with regard to certain of our competitors who are able to and often do, provide financing or market making services that are often a crucial component of the types of transactions on which we advise. In addition to our larger competitors, over the last several years the number of independent investment banks that offer independent advisory services has increased. As these independent firms or new entrants into the market seek to gain market share there could be pricing pressures, which would adversely affect our revenues and earnings.

In addition, Park Hill Group operates in a highly competitive environment and the barriers to entry into the private fund advisory and placement services business are low.

***As a member of the financial services industry, we face substantial litigation risks.***

Our role as advisor to our clients on important transactions involves complex analysis and the exercise of professional judgment, including rendering “fairness opinions” in connection with mergers and other transactions. Our activities may subject us to the risk of significant legal liabilities to our clients and affected third parties, including shareholders of our clients who could bring securities class actions against us. In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against financial services companies have increased. These risks are difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Our engagements typically, but not always, include broad indemnities from our clients and provisions to limit our exposure to legal claims relating to our services, but these provisions may not protect us in all cases, including when a client does not have the financial capacity to pay under the indemnity. As a result, we may incur significant legal expenses in defending against or settling litigation. In addition, we may have to spend a significant amount to adequately insure against these potential claims. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which could seriously harm our business prospects.

***Extensive and evolving regulation of our business and the business of our clients exposes us to the potential for significant penalties and fines due to compliance failures, increases our costs and may result in limitations on the manner in which our business is conducted.***

As a participant in the financial services industry, we are subject to extensive regulation in the U.S. and internationally. We are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate. As a result of market volatility and disruption in recent years, the U.S. and other governments have taken unprecedented steps to try to stabilize the financial system, including providing assistance to financial institutions and taking certain regulatory actions. The long-term effects of these actions and of legislative and regulatory initiatives (including the Dodd-Frank Wall Street Reform and Consumer Protection Act) effected in connection with, and as a result of, such extraordinary disruption and volatility is uncertain, both as to the financial markets and participants in general, and as to us in particular.

We face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, we could be fined or be prohibited from engaging in some of our business activities. In addition, the regulatory environment in which we operate is subject to modification and further regulation. Such changes may increase the expenses we incur without necessarily leading to commensurate increases in operating revenue and income. Certain laws and regulations within the U.S. and internationally include extraterritorial application that may lead to overlapping or conflicting legal and regulatory burdens with additional risks and implementation expenses. New laws or regulations applicable to us and our clients also may adversely affect our business, and our ability to function in this environment will depend on our ability to constantly monitor and react to these changes.

Our ability to conduct business and our operating results, including compliance costs, may be adversely affected as a result of any new requirements imposed by the SEC, FINRA or other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that regulate financial services firms or supervise financial markets. We may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. In addition, some of our clients or prospective clients may adopt policies that exceed regulatory requirements and impose additional restrictions affecting their dealings with us. Accordingly, we may incur significant costs to comply with U.S. and international regulation. In addition, new laws or regulations or changes in enforcement of existing laws or regulations applicable to our clients may adversely affect our business. For example, changes in antitrust laws or the enforcement of antitrust laws could affect the level of M&A activity and changes in applicable regulations could restrict the activities of our clients and their need for the types of advisory services that we provide to them. Additionally, the results of the most recent United States presidential and congressional elections could also create legal and regulatory uncertainty. Further, changes to existing tax laws and regulations in the U.S. and in other jurisdictions in which we and our clients operate may reduce the level of M&A activity, including cross-border M&A activity.

The trade agreements under which U.S. companies currently exchange products and services around the world are subject to change. It is not known what specific measures might be proposed or how they would be implemented and enforced. There can be no assurance that pending or future legislation or execution in the U.S. that could significantly increase costs with respect to our foreign operations and, consequently, adversely affect our business, financial condition or results of operations, will not be enacted.

In addition, several states and municipalities in the United States, including, but not limited to, California, Illinois, New York State and New York City have adopted “pay-to-play” and placement agent rules, which, in addition to imposing registration and reporting requirements, limit our ability to charge fees in connection with certain engagements of Park Hill Group or restrict or prohibit the use of placement agents in connection with investments by public pension funds. These types of measures could materially and adversely impact our Park Hill Group business.

Our failure to comply with applicable laws or regulations could result in adverse publicity and reputational harm as well as fines, suspensions of personnel or other sanctions, including revocation of our registration or any of our subsidiaries as a financial advisor and could impair retention or recruitment of personnel. In addition, any changes in the regulatory framework could impose additional expenses or capital requirements on us, result in limitations on the manner in which our business is conducted, have an adverse impact upon our financial condition and business and require substantial attention by senior management. Moreover, our business is subject to periodic examination by various regulatory authorities, and we cannot predict the outcome of any such examinations.

***Our business is subject to various cybersecurity and other operational risks.***

We face various cybersecurity and other operational risks related to our business on a day-to-day basis. We rely heavily on financial, accounting, communication and other information technology systems, and the people who operate them. These systems, including the systems of third parties on whom we rely, may fail to operate properly or become disabled as a result of tampering or a breach of our network security systems or otherwise, including for reasons beyond our control.

Our clients typically provide us with sensitive and confidential information. We are dependent on information technology networks and systems to securely process, transmit and store such information and to communicate among our locations around the world and with our clients, alliance partners and vendors. We may be subject to attempted security breaches and cyber-attacks and, while we are not aware of any such occurrence that may have had a material impact to date, a successful breach of our systems, or the systems used by our clients, alliance partners or vendors, could lead to shutdowns or disruptions of our systems or third-party systems on which we rely and potential unauthorized disclosure of sensitive or confidential information. Breaches of our or third-party network security systems on which we rely could involve attacks that are intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer viruses, cyber-attacks and other means and could originate from a wide variety of sources, including unknown third parties outside the firm. Although we take various measures to ensure the integrity of our and third-party systems on which we rely, there can be no assurance that these measures will provide adequate protection, especially because the cyber-attack techniques used change frequently or are not recognized until launched. If our or third-party systems on which we rely are compromised, do not operate properly or are disabled, we could suffer a disruption of our business, financial losses, liability to clients, regulatory sanctions and damage to our reputation.

We operate a business that is highly dependent on information systems and technology. Any failure to keep accurate books and records can render us liable to disciplinary action by governmental and self-regulatory authorities, as well as to claims by our clients. We rely on third-party service providers for certain aspects of our business. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair our operations, affect our reputation and adversely affect our business.

In addition, a disaster or other business continuity problem, such as a pandemic, other man-made or natural disaster or disruption involving electronic communications or other services used by us or third parties with whom we conduct business, could lead us to experience operational challenges, and our inability to timely and successfully recover could materially disrupt our business and cause material financial loss, regulatory actions, reputational harm or legal liability.

***We may not be able to generate sufficient cash in the future to service any future indebtedness or other contractual obligations, or a significant deterioration in the credit markets or the failure of one or more commercial banking institutions, could adversely affect our liquidity.***

While the Company currently has no indebtedness, our ability to make scheduled payments on or to refinance any future debt obligations or other contractual obligations depends on our financial condition and operating performance. We cannot provide assurance that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal of, and interest on, any future indebtedness. If our cash flows and capital resources are insufficient to fund any future debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance such indebtedness or other contractual obligations.

As of December 31, 2017, we had cash, cash equivalents and investments of \$182.7 million, of which \$37.1 million was invested in U.S. Treasury bills. We monitor developments relating to the liquidity of these instruments on a regular basis. In the event of a significant deterioration of the credit markets or the failure of one or more commercial banking institutions, there can be no assurance that we will be able to liquidate these assets or access our cash. Our inability to access our cash or other assets could have a material adverse effect on our liquidity and result in our inability to meet our obligations timely, which could have a material adverse effect on the value of our stock.

***Our international operations are subject to certain risks, which may affect our revenue.***

For the year ended December 31, 2017, we earned 13.6% of our total revenues from our international operations. We intend to grow our non-U.S. business, and this growth is important to our overall success. In addition, many of our larger clients are non-U.S. entities seeking to enter into transactions involving U.S.

businesses. Our international operations carry special financial, business, regulatory and reputational risks, which could include the following:

- greater difficulties in managing and staffing foreign operations;
- language and cultural differences;
- fluctuations in foreign currency exchange rates that could adversely affect our results;
- unexpected and costly changes in trading policies, regulatory requirements, tariffs and other barriers;
- restrictions on travel;
- longer transaction cycles;
- higher operating costs;
- adverse consequences or restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses;
- less stable political and economic environments; and
- civil disturbances or other catastrophic events that reduce business activity.

If our international business increases relative to our total business, these factors could have a more pronounced effect on our operating results.

***We may enter into new lines of business, which may result in additional risks and uncertainties in our business.***

We currently generate substantially all of our revenue from our strategic advisory, restructuring and special situations and private fund advisory and placement services businesses. However, we may grow our business by entering into new lines of business. To the extent we enter into new lines of business, we will face numerous risks and uncertainties, including risks associated with actual or perceived conflicts of interest because we would no longer be limited to the advisory business, the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, the required investment of capital and other resources and the loss of clients due to the perception that we are no longer focusing on our core business.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. In addition, certain aspects of our cost structure, such as costs for compensation, occupancy and equipment rentals, communication and information technology services, and depreciation and amortization will be largely fixed, and we may not be able to timely adjust these costs to match fluctuations in revenue related to our entering into new lines of business. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations could be materially adversely affected.

***Fluctuations in foreign currency exchange rates could adversely affect our results.***

Because our financial statements are denominated in U.S. dollars and we receive a portion of our net revenue in other currencies (including euros and pounds sterling), we are exposed to fluctuations in foreign currencies. In addition, we pay certain of our expenses in such currencies. We have not entered into any transactions to hedge our exposure to these foreign exchange fluctuations through the use of derivative instruments or otherwise. An appreciation or depreciation of any of these currencies relative to the U.S. dollar would result in an adverse or beneficial impact, respectively, to our financial results.

***A change in relevant income tax laws, regulations or treaties or an adverse interpretation of these items by tax authorities could result in an audit adjustment or revaluation of our deferred tax assets that may cause our effective tax rate and tax liability to be higher than what is currently presented in the consolidated and combined financial statements.***

As part of the process of preparing our consolidated and combined financial statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets. This process requires us to estimate our actual current tax liability and to



assess temporary differences resulting from differing book versus tax treatment. Our effective tax rate and tax liability is based on the application of current income tax laws, regulations and treaties. These laws, regulations and treaties are complex, and the manner in which they apply to our facts and circumstances is sometimes open to interpretation. Management believes its application of current laws, regulations and treaties to be correct and sustainable upon examination by the tax authorities. However, the tax authorities could challenge our interpretation resulting in additional tax liability or adjustment to our income tax provision that could increase our effective tax rate. In addition, tax laws, regulations or treaties enacted in the future may cause us to remeasure our deferred tax assets and have a material change to our effective tax rate.

The Tax Cuts and Jobs Act (the “Tax Legislation”) has significantly changed the U.S. federal income taxation of U.S. corporations, including by reducing the U.S. corporate income tax rate, limiting interest deductions, permitting immediate expensing of certain capital expenditures, adopting elements of a territorial tax system, imposing a one-time transition tax (or “repatriation tax”) on all undistributed earnings and profits of certain U.S.-owned foreign corporations, revising the rules governing net operating losses and the rules governing foreign tax credits and introducing new anti-base erosion provisions. Many of these changes are effective immediately, without any transition periods or grandfathering for existing transactions. Accounting principles generally accepted in the United States of America require all companies to reflect the effects of the new law in financial statements of the period in which the law was enacted. Accordingly, we remeasured our deferred tax assets and liabilities based on the new rate and recorded an adjustment related to a decrease in the Amount Due Pursuant to Tax Receivable Agreement as of December 31, 2017. The impacts of the Tax Legislation, including the adjustment to the deferred tax account, are our best estimates based on the information that is available at the time of these financial statements and may change as additional information becomes available. Adjustments to deferred tax expense could arise if the actual timing of future deferred tax reversals and originations differs from current estimates. In addition, the Tax Legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the U.S. Department of the Treasury and Internal Revenue Service (“IRS”), any of which could lessen or increase certain adverse impacts of the legislation. Furthermore, it is unclear how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities. If an adjustment related to the Tax Legislation is required, it will be reflected as a discrete expense or benefit in the quarter that it is identified, as allowed by SEC guidance. We urge our investors to consult with their legal and tax advisors with respect to such legislation and the potential tax consequences of investing in our Class A common stock.

***The range of potential outcomes relating to arrangements between the European Union and the United Kingdom may adversely affect our business.***

We conduct our business in European Union (“E.U.”) countries through our subsidiary that is licensed in the United Kingdom (“U.K.”). On June 23, 2016, the U.K. voted in favor of a referendum to leave the E.U. and on March 29, 2017, the U.K. began the process to withdraw from the E.U. At the time that the U.K. ultimately leaves the E.U., the commercial, regulatory and legal environment that would exist, and to which our U.K. operations would be subject, would be impacted by the nature of arrangements that are yet to be determined between the U.K. and the E.U. These arrangements are difficult to predict, and uncertainty regarding their outcome may continue for a significant period of time. We currently do not expect that any of the potential arrangements that are likely to be agreed would have a material adverse impact on our business. These potential arrangements may, however, result in certain changes in the way that we conduct our businesses, which could result in increased costs. Our U.K. entity, PJT Partners (UK) Limited, primarily services European-domiciled clients. Adverse conditions arising from a U.K. exit from the E.U. could adversely affect our U.K. business and operations, including by reducing the volume or size of mergers, acquisitions, divestitures and other strategic corporate transactions on which we seek to advise. A U.K. exit from the E.U. could also cause PJT Partners (UK) Limited to lose its E.U. financial services passport license, which allows it to operate, on a cross-border and off-shore basis, into all E.U. countries without obtaining regulatory approval outside of the U.K., which would increase our legal, compliance and operational costs. In addition, the result of the referendum and the uncertainty it produced has impacted geopolitical perspectives and macroeconomic factors, including interest rates, foreign currency exchange rates and equity markets, and it has increased volatility in many of the markets in which we operate. If these conditions continue or if current conditions worsen, our advisory business may be adversely affected, which may materially impact our financial position and results of operations.

***The cost of compliance with international broker-dealer, employment, labor, benefits, privacy and tax laws and regulations may adversely affect our business and hamper our ability to expand internationally.***

Since we operate our business both in the U.S. and internationally, we are subject to many distinct broker-dealer, employment, labor, benefits, privacy and tax laws in each country in which we operate, including regulations

affecting our employment practices and our relations with our employees and service providers. In addition, the E.U.'s new data privacy and security framework, the General Data Protection Regulations (the "GDPR"), will take effect on May 25, 2018. As we engage in significant business in Europe, we will be subject to the GDPR's requirements. If we are required to comply with other new regulations or new interpretations of existing regulations, or if we are unable to comply with these regulations or interpretations, our business could be adversely affected or the cost of compliance may make it difficult to expand into new international markets. Additionally, our competitiveness in international markets may be adversely affected by regulations requiring, among other things, the awarding of contracts to local contractors, the employment of local citizens and/or the purchase of services from local businesses or favoring or requiring local ownership.

***Restrictions in the credit agreement governing our revolving credit facility may impair our ability to finance our future operations or capital needs or engage in other business activities that may be in our interests.***

We have obtained a revolving credit facility in an aggregate principal amount of \$60 million with the option for a temporary increase of up to \$80 million total.

The credit agreement governing such revolving credit facility contains a number of significant covenants that, among other things, would require us to maintain certain minimum tangible net worth and liquidity and maximum leverage levels and the covenants may restrict our ability to:

- sell assets;
- incur more indebtedness;
- repay certain indebtedness;
- make certain investments or business acquisitions;
- make certain capital expenditures;
- engage in business mergers or consolidations; and
- engage in certain transactions with subsidiaries and affiliates.

These restrictions could impair our ability to finance our future operations or capital needs or engage in other business activities that may be in our interests. In addition, such credit agreement could also require us to maintain compliance with certain financial ratios, including those relating to earnings before interest, taxes, depreciation and amortization and consolidated indebtedness. Our ability to comply with these ratios and covenants may be affected by events beyond our control. A breach of the provisions of our credit agreement or our inability to comply with the required financial ratios or covenants included therein could result in a default thereunder. In the event of any such default, the lenders under the credit agreement could elect to:

- declare all outstanding debt, accrued interest and fees to be due and immediately payable; and
- require us to apply all of our available cash to repay our outstanding senior debt.

***We have a limited operating history as an independent company and our historical financial information may not be a reliable indicator of our future results.***

For periods prior to October 1, 2015, the historical financial information we have included in this Annual Report on Form 10-K has been derived from the consolidated financial statements of Blackstone, and does not necessarily reflect what our financial position, results of operations and cash flows would have been as a separate, stand-alone entity during such periods presented. Blackstone did not account for us, and we were not operated, as a single stand-alone entity for the periods presented prior to October 1, 2015. In addition, the historical financial information is not necessarily indicative of what our results of operations, financial position and cash flows will be in the future. For example, following the spin-off, changes have occurred in our cost structure, funding and operations, including changes in our tax structure, increased costs associated with reduced economies of scale and increased costs associated with becoming a public, stand-alone company.

***Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and share price.***

We have documented and tested our internal control procedures in order to satisfy the requirements of Section 404(a) of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm may not be able or willing to issue an unqualified report on the effectiveness of our internal control over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we identify a material weakness in our internal control over financial reporting. This could materially adversely affect us and lead to a decline in the market price of our shares.

#### **Risks Relating to Our Organizational Structure**

***PJT Partners Inc.'s only material asset is its interest in PJT Partners Holdings LP and certain cash and cash equivalents it may hold from time to time, and it is accordingly dependent upon distributions from PJT Partners Holdings LP to pay taxes, make payments under the tax receivable agreement or pay dividends.***

PJT Partners Inc. is a holding company and has no material assets other than its ownership of Partnership Units, and certain cash and cash equivalents it may hold from time to time as described herein in "Part II. Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend Policy." PJT Partners Inc. has no independent means of generating revenue. PJT Partners Holdings LP makes distributions to holders of its Partnership Units in an amount sufficient to cover all applicable taxes at assumed tax rates, payments under the tax receivable agreement and dividends, if any, declared by it. Deterioration in the financial condition, earnings or cash flow of PJT Partners Holdings LP and its subsidiaries for any reason could limit or impair their ability to pay such distributions. Additionally, to the extent that PJT Partners Inc. needs funds, and PJT Partners Holdings LP is restricted from making such distributions under applicable law or regulation or under the terms of our financing arrangements, or is otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition.

Payments of dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, earnings, cash flows, capital requirements, cash settlement of Partnership Unit exchanges, previous and anticipated amounts of dividend payments and share repurchases, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends, general economic, market and industry conditions and other considerations that our board of directors deem relevant from time to time. The credit agreement governing our revolving credit facility contains, and any financing arrangement that we enter into in the future may include, restrictive covenants that limit our ability to pay dividends. In addition, PJT Partners Holdings LP is generally prohibited under Delaware law from making a distribution to a partner to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of PJT Partners Holdings LP (with certain exceptions) exceed the fair value of its assets. Subsidiaries of PJT Partners Holdings LP are generally subject to similar legal limitations on their ability to make distributions to PJT Partners Holdings LP. See "—While we currently intend to pay a quarterly cash dividend to our stockholders, there can be no assurance that we will continue to declare cash dividends."

***A significant portion of the voting power in PJT Partners Inc. is controlled by holders of our Class B common stock, whose interests may differ from those of our public stockholders that hold Class A common stock.***

The shares of Class B common stock have no economic rights but entitle the holder, without regard to the number of shares of Class B common stock held, to a number of votes that is equal to the aggregate number of vested and unvested Partnership Units and LTIP Units in PJT Partners Holdings LP held by such holder on all matters presented to stockholders of PJT Partners Inc. other than director elections and removals. With respect to the election and removal of directors of PJT Partners Inc., shares of Class B common stock initially entitle holders to only one vote per share, representing significantly less than one percent of the voting power entitled to vote thereon. However, the voting power of Class B common stock with respect to the election and removal of directors of PJT Partners Inc. may be increased to up to the number of votes to which a holder is then entitled on all other matters presented to stockholders. At December 31, 2017, our executive officers and directors held and/or controlled (including by way of the proxy granted to Mr. Taubman by certain executive officers of Blackstone) 3.4% of the voting power of PJT Partners Inc. with regard to the election and removal of directors, and 35.2% of the combined voting power of PJT Partners Inc. with regard to all other matters presented to stockholders of PJT Partners Inc. At

December 31, 2017, our Class B common stockholders held significantly less than one percent of the voting power of PJT Partners Inc. with regard to the election and removal of directors, and 52.8% of the combined voting power of PJT Partners Inc., with regard to all other matters presented to stockholders of PJT Partners Inc. As a result, our Class B common stockholders, including Mr. Taubman, have the ability to exercise influence over the outcome of all matters requiring stockholder approval, other than director elections and removals, including those related to equity compensation plans, certain related party transactions, and certain significant issuances of Class A common stock and other significant transactions, such as those involving a change of control or sale of all or substantially all of our assets. This concentration of ownership could deprive our Class A stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock. Moreover, our Class B common stockholders, including Mr. Taubman, may gain the ability in the future to exercise significant influence over the outcome of director elections and removals, as well.

Additionally, as of December 31, 2017, our Class B common stockholders own 44.0% of the Partnership Units. Because they hold all or a portion of their economic ownership interest in our business directly in PJT Partners Holdings LP, rather than through PJT Partners Inc., our Class B common stockholders may have conflicting interests with holders of shares of our Class A common stock. For example, if PJT Partners Holdings LP makes distributions to PJT Partners Inc., the limited partners of PJT Partners Holdings LP will also be entitled to receive such distributions pro rata in accordance with the percentages of their respective partnership interests in PJT Partners Holdings LP and their preferences as to the timing and amount of any such distributions may differ from those of our public stockholders. Our Class B common stockholders may also have different tax positions from us that could influence their decisions regarding whether and when to dispose of assets, especially in light of the existence of the tax receivable agreement that we entered into in connection with the spin-off, whether and when to incur new indebtedness, and whether and when PJT Partners Inc. should terminate the tax receivable agreement and accelerate its obligations thereunder. In addition, the structuring of future transactions may take into consideration these Partnership Unit holders' tax or other considerations even where no similar benefit would accrue to us.

***PJT Partners Inc. may be required to make payments under a tax receivable agreement for most of the benefits relating to certain tax depreciation or amortization deductions that we may claim as a result of certain increases in tax basis.***

Holders of Partnership Units (other than PJT Partners Inc.) have the right, subject to the terms and conditions set forth in the partnership agreement of PJT Partners Holdings LP, on a quarterly basis (subject to the terms of the exchange agreement), to exchange all or part of their Partnership Units for cash or, at our election, for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Stock-settled exchanges and certain of these cash-settled exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of PJT Partners Holdings LP. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that PJT Partners Inc. would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

We entered into a tax receivable agreement with the holders of Partnership Units (other than PJT Partners Inc.) that provides for the payment by PJT Partners Inc. to exchanging holders of Partnership Units of 85% of the benefits, if any, that PJT Partners Inc. is deemed to realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement.

This payment obligation is an obligation of PJT Partners Inc. and not of PJT Partners Holdings LP. While the actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of PJT Partners Holdings LP, the payments that PJT Partners Inc. may make under the tax receivable agreement will be substantial. The payments under the tax receivable agreement are not conditioned upon continued ownership of us by the holders of Partnership Units.

***In certain cases, such as upon a change in control, payments under the tax receivable agreement may be accelerated and/or significantly exceed the actual benefits PJT Partners Inc. realizes in respect of the tax attributes subject to the tax receivable agreement.***

The tax receivable agreement provides that upon certain changes of control, or if, at any time, PJT Partners Inc. elects an early termination of the tax receivable agreement, PJT Partners Inc.'s obligations under the tax

receivable agreement (with respect to all Partnership Units whether or not previously exchanged) would be calculated by reference to the value of all future payments that holders of Partnership Units would have been entitled to receive under the tax receivable agreement using certain valuation assumptions, including that PJT Partners Inc. will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement and, in the case of an early termination election, that any Partnership Units that have not been exchanged are deemed exchanged for the market value of the shares of Class A common stock at the time of termination. In addition, if PJT Partners Inc. elects an early termination of the tax receivable agreement, holders of Partnership Units will generally not reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase is successfully challenged by the IRS. PJT Partners Inc.'s ability to achieve benefits from any tax basis increase, and the payments to be made under the tax receivable agreement, will depend upon a number of factors, including the timing and amount of our future income. As a result, even in the absence of a change of control or an election to terminate the tax receivable agreement, payments under the tax receivable agreement could be in excess of PJT Partners Inc.'s actual cash tax savings.

There may be a material negative effect on our liquidity if the payments under the tax receivable agreement exceed the actual cash tax savings that PJT Partners Inc. realizes in respect of the tax attributes subject to the tax receivable agreement and/or if distributions to PJT Partners Inc. by PJT Partners Holdings LP are not sufficient to permit PJT Partners Inc. to make payments under the tax receivable agreement after it has paid taxes and other expenses. Based on the market value of a share of Class A common stock of \$45.60 and the London Interbank Offered Rate ("LIBOR") of 2.11% at December 29, 2017, we estimate that if PJT Partners Inc. exercised its termination on December 31, 2017, the aggregate amount of these termination payments would be \$148.2 million. The foregoing number is merely an estimate and the actual payments could differ materially. We may need to incur additional indebtedness to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise.

***We may be responsible for U.S. federal income tax liabilities that relate to the distribution.***

The spin-off was conditioned on the receipt of an opinion of tax counsel to the effect that certain transactions in Blackstone's internal reorganization should qualify as tax-free distributions under Section 355 of the Internal Revenue Code (the "Code"), and a certain transaction in the internal reorganization should qualify as a tax-free reorganization under Section 368 of the Code. Blackstone's receipt of the opinion of tax counsel satisfied a condition to completion of the spin-off. An opinion of tax counsel is not binding on the IRS. Accordingly, the IRS may reach conclusions with respect to the spin-off that are different from the conclusions reached in the opinion. The opinion is based on certain factual statements and representations, which, if incomplete or untrue in any material respect, could cause the tax consequences of the transactions to be different than those set forth in the opinion.

At the time of the spin-off, Blackstone represented to us that it was not aware of any facts or circumstances that would cause any such factual statements or representations in the opinion of tax counsel to be incomplete or untrue or cause the facts on which the opinion will be based to be materially different from the facts at the time of the spin-off. If, notwithstanding the receipt of the opinion of tax counsel, the IRS were to successfully assert that certain transactions in the internal reorganization were not tax-free distributions under Section 355 of the Code or that a certain transaction in the internal reorganization did not qualify as a tax-free reorganization under Section 368 of the Code, one or both of the Blackstone subsidiaries that distributed their interest in our business (the "Distributing Corporations") or we would recognize a substantial tax liability.

Even if such transactions in the internal reorganization otherwise qualify as tax-free distributions for U.S. federal income tax purposes, such transactions will be taxable to one or both of the Distributing Corporations (but not to Blackstone common unitholders) pursuant to Section 355(e) of the Code if there are one or more acquisitions (including by reason of issuances) of our stock in excess of specified thresholds, measured by vote or value, or acquisitions of the stock of one or both of the Distributing Corporations representing 50% or more, measured by vote or value, of the then-outstanding stock of us or such Distributing Corporation and the acquisition or acquisitions are deemed to be part of a plan or series of related transactions that include the transactions in the internal reorganization. Any acquisition of any class of our common stock or stock of a Distributing Corporation within two years before or after the distribution (with exceptions, including public trading by less-than-5% shareholders and certain compensatory stock issuances) generally will be presumed to be part of such a plan unless that presumption is rebutted. The resulting tax liability may have a material adverse effect on our business, financial condition, results of operations or cash flows.

We have agreed not to enter into certain transactions that could cause any portion of the spin-off to be taxable to the Distributing Corporations, including under Section 355(e) of the Code. Pursuant to the Tax Matters Agreement, we agreed to indemnify Blackstone for any tax to a Distributing Corporation resulting from certain acquisitions of our stock, whether or not Blackstone consented to such actions or we were otherwise permitted to take such action under the Tax Matters Agreement. In addition, if certain transactions in the internal reorganization were taxable or became taxable, then under U.S. Department of the Treasury regulations we would be severally liable for the resulting U.S. federal income tax liability of one of the Distributing Corporations. These obligations may discourage, delay or prevent a change of control of PJT Partners Inc.

*Anti-takeover provisions in our organizational documents and Delaware law and our Stockholder Rights Plan might discourage or delay acquisition attempts for us that you might consider favorable.*

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the merger or acquisition of our company more difficult without the approval of our board of directors. Among other things, these provisions:

- authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend or other rights or preferences superior to the rights of the holders of Class A common stock;
- provide that our board of directors will be divided into three classes, with terms of the directors of only one class expiring in any given year;
- prohibit Class A common stockholders from acting by written consent unless such action is recommended by all directors then in office, but permit Class B common stockholders to act by written consent without requiring any such recommendation;
- provide that our board of directors is expressly authorized to make, alter or repeal our bylaws and that our stockholders may only amend our bylaws with the approval of 80% or more of the voting power of all of the outstanding shares of our capital stock entitled to vote;
- provide that certain provisions of our amended and restated certificate of incorporation, including those providing for a classified board of directors, may be amended, altered, repealed or rescinded, in whole or in part, or any provision inconsistent therewith may be adopted, only with the approval of 80% or more of the voting power of all of the outstanding shares of our capital stock entitled to vote; and
- establish advance notice procedures and minimum stock ownership requirements for stockholder nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings, as well as provide for director qualification requirements.

Our amended and restated certificate of incorporation requires, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or stockholders to us or our stockholders; (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law (“DGCL”) or as to which the DGCL confers jurisdiction in the Court of Chancery of the State of Delaware; or (iv) any action asserting a claim governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware, unless we agree otherwise. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors, officers and stockholders.

In addition, immediately prior to the spin-off, Blackstone caused our prior board of directors to adopt a stockholder rights agreement, under which holders of our Class A common stock have been granted rights to purchase from us additional shares of our Class A common stock in the event that a person or group acquires beneficial ownership of 15% or more of the then-outstanding Class A common stock without approval of our board of directors, subject to exceptions for, among other things, persons beneficially owning 15% or more of our Class A common stock as of the date of the initial filing with the SEC of our spin-off Registration Statement on Form 10 (or that would beneficially own 15% or more of our Class A common stock by virtue of the spin-off if the spin-off were consummated as of the date of such initial filing). The rights will expire on the earliest to occur of (a) October 1, 2018, (b) the time at which the rights are redeemed pursuant to the stockholder rights agreement, and (c) the time at which the rights are exchanged pursuant to the stockholder rights agreement.

The stockholder rights agreement could make it more difficult for a third party to acquire our Class A common stock without the approval of our board of directors. Acquisitions of shares of our Class A common stock as a result of acquiring additional Blackstone common units prior to the spin-off or shares representing our Class A common stock in the when-issued trading market or as a result of the spin-off will each be included in determining the beneficial ownership of a person and all such acquisitions will be taken into account in determining whether a person is an acquiring person under the terms of the stockholder rights agreement. Therefore, a person could become an acquiring person under the terms of the stockholder rights agreement simultaneously with the acquisition of our Class A common stock in the spin-off. Even if a person is initially an exempt person under the terms of the stockholder rights agreement, such person could lose such status as a result of pre-spin-off acquisitions. In addition, each Partnership Unit will have attached to it a preferred unit purchase right. Our stockholder rights plan was ratified by our stockholders at the PJT Partners Inc. 2016 Annual Meeting of Stockholders.

Certain provisions of the limited partnership agreement of PJT Partners Holdings LP may also prevent, delay or make more difficult, a transaction or a change in control that might involve a premium price for holders of our Class A common stock or otherwise be in their best interests. These provisions include, among others:

- rights of limited partners of PJT Partners Holdings LP, subject to certain exceptions and qualifications, to approve certain change of control transactions involving us; and
- following the occurrence of a “Board Change of Control,” rights of limited partners of PJT Partners Holdings LP to consent to certain corporate actions and transactions.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our Class A common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

See “Certain Relationships and Related Person Transactions—PJT Partners Holdings LP Amended and Restated Limited Partnership Agreement” in our definitive proxy statement filed in connection with our 2017 Annual Meeting of Stockholders (our “2017 Proxy Statement”).

### **Risks Relating to Our Class A Common Stock**

***You may be diluted by the future issuance of additional Class A common stock by PJT Partners Inc. and the future issuance of additional partnership units by PJT Partners Holdings LP, in each case in connection with our incentive plans, acquisitions or otherwise.***

As of December 31, 2017, we have 2,981,400,546 shares of Class A common stock authorized but unissued, including 14,641,268 shares of Class A common stock that may be issued upon exchange of Partnership Units. Our amended and restated certificate of incorporation authorizes us to issue these shares of Class A common stock and options, rights, warrants and appreciation rights relating to Class A common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. Similarly, the limited partnership agreement of PJT Partners Holdings LP permits PJT Partners Holdings LP to issue an unlimited number of additional partnership interests of PJT Partners Holdings LP with designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Partnership Units, and which may be exchangeable for shares of our Class A common stock. We have reserved 7,000,000 shares for issuance of new awards under our 2015 Omnibus Incentive Plan. In addition, as described under “Executive Compensation—Partner Agreements—Merger and Spin-off Transaction Equity Grants—Founder Earn-Out Units” in our 2017 Proxy Statement, Mr. Taubman and the other partners and employees of the Company received Earn-Out Units in PJT Partners Holdings LP that are subject to both service and market conditions. Any Class A common stock that we issue, including under our 2015 Omnibus Incentive Plan or other equity incentive plans that we may adopt in the future, would dilute your percentage ownership of PJT Partners Inc.

***The market price of our Class A common stock may decline due to the large number of shares of Class A common stock eligible for exchange and future sale.***

The market price of shares of our Class A common stock could decline as a result of sales of a large number of shares of Class A common stock in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell shares of Class A common stock in the future at a time and at a price that we deem appropriate.

In addition, we and the holders of Partnership Units (other than PJT Partners Inc.) have entered into an exchange agreement under which they (or certain permitted transferees) have the right, subject to the terms and conditions set forth in the partnership agreement of PJT Partners Holdings LP, on a quarterly basis, to exchange all or part of their Partnership Units for cash or, at our election, for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Further, pursuant to the terms of the partnership agreement of PJT Partners Holdings LP, we may also require holders of Partnership Units who are not Service Providers (as defined in the partnership agreement of PJT Partners Holdings LP) to exchange such Partnership Units.

Depending on our liquidity and capital resources, market conditions, the timing and concentration of exchange requests and other considerations, we may choose to fund cash-settled exchanges of Partnership Units with available cash, borrowings or new issuances of Class A common stock or to settle exchanges by issuing Class A common stock to the exchanging Partnership Unitholder. Issuing significant numbers of shares of our Class A common stock upon exchange of Partnership Units could adversely affect the tax consequences to Blackstone of the distribution. Accordingly, while we will retain the right under the Exchange Agreement to elect to settle exchanges in cash or Class A common stock in our sole discretion, we currently intend to limit such issuances of Class A common stock in settlement of exchanges of Partnership Units to the extent necessary to preserve the intended tax-free nature of the spin-off and to comply with our obligations under the Tax Matters Agreement. The market price of shares of our Class A common stock could decline as a result of sales of our Class A common stock to fund cash-settled exchanges of Partnership Units, or sales by exchanging holders of Partnership Units of Class A common stock received in stock-settled exchanges or, in each case, the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for holders of our Class A common stock to sell such stock in the future at a time and at a price that they deem appropriate. See “Certain Relationships and Related Person Transactions—Exchange Agreement” in our 2017 Proxy Statement.

***Our decision to return cash to our shareholders through repurchases of our Class A common stock may not prove to be the best use of our capital or result in the effects we anticipated, including a positive return of capital to stockholders.***

We have authority from our board of directors to repurchase shares of our Class A common stock in an amount up to \$100 million. As of December 31, 2017, the available amount remaining for repurchases under this program was \$97.7 million, which we may implement through open market purchases, privately negotiated transactions or otherwise, after taking into account our results of operations, financial position and capital requirements, general business conditions, legal, tax and regulatory constraints or restrictions, any contractual restrictions (including any restrictions contained in the credit agreement) and other factors we deem relevant. There can be no assurances of the price at which we may be able to repurchase our shares or that we will repurchase the full amount authorized. Furthermore, there can be no assurance that any past or future repurchases will have a positive impact on our stock price or that the share repurchase plan provides the best use of our capital because the value of our common stock may decline significantly below the levels at which we repurchased shares of common stock.

If we were to cease or were unable to repurchase shares of our Class A common stock, or choose to allocate available capital to the repayment of borrowings, payment of dividends or other corporate purposes, the number of shares outstanding may increase over time, diluting the ownership of our existing stockholders.



***Our decision to repurchase shares of our Class A common stock will reduce our public float which could cause our share price to decline.***

The share repurchase plan will reduce our “public float,” (the number of shares of our Class A common stock that are owned by non-affiliated stockholders and available for trading in the securities markets), which may reduce the volume of trading in our shares and result in reduced liquidity and cause fluctuations in the trading price of our common stock unrelated to our performance. Furthermore, certain institutional holders of shares of our Class A common stock (including index funds) may require a minimum market capitalization of each of their holdings in excess of our market capitalization and therefore be required to dispose of shares of our Class A common stock, which may cause the value of our Class A common stock to decline. There can be no assurance that this reduction in our public float will not result in a lower share price or reduced liquidity in the trading market for shares of our Class A common stock during and upon completion of our share repurchase plan.

***While we currently intend to pay a quarterly cash dividend to our stockholders, there can be no assurance that we will continue to declare cash dividends***

Although we currently intend to pay a quarterly cash dividend to our stockholders, we have no obligation to do so, and our dividend policy may change at any time. Whether we continue and the amount and timing of any dividends are subject to capital availability and periodic determinations by our board of directors that cash dividends are in the best interest of our stockholders and are in compliance with all respective laws and agreements of the Company applicable to the declaration and payment of cash dividends. The reduction in or elimination of our dividend payments could have a negative effect on our stock price.

***The market price of our Class A common stock may be volatile, which could cause the value of our Class A common stock to decline.***

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our Class A common stock in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors, and in response, the market price of our Class A common stock could decrease significantly.

***If securities analysts do not publish research or reports about our business or if they downgrade our Company or our sector, the price of our Class A common stock could decline.***

The trading market for our Class A common stock depends in part on the research and reports that industry or financial analysts publish about us or our business. We do not control the research decisions made by these analysts. Furthermore, if one or more of the analysts who do cover us downgrades our Company or our industry, or the stock of any of our competitors, the price of our Class A common stock could decline. If one or more of these analysts ceases coverage of our Company, we could lose visibility in the market, which in turn could cause the price of our Class A common stock to decline.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our principal executive offices are located in leased office space at 280 Park Avenue, New York, New York 10017. We currently lease the space for our offices in Boston, Chicago, Hong Kong, London, Madrid, San Francisco and Sydney. We do not own any real property.

### ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company and its affiliates may be subject to legal proceedings and claims in the ordinary course of business. In addition, government agencies and self-regulatory organizations in countries in which we conduct business conduct periodic examinations and may initiate administrative proceedings regarding the Company's and its affiliates' business, including, among other matters, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, investment advisor, or its directors, officers or employees. It is our policy to cooperate fully with such governmental requests, examinations and administrative proceedings. In view of the inherent difficulty of determining whether any loss in connection with any such matters is probable and whether the amount of such loss can be reasonably estimated, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, we cannot estimate the amount of such loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, we believe, based on current knowledge and after consultation with counsel, that we are not currently party to any material pending proceedings, individually or in the aggregate, the resolution of which would have a material effect on the Company.

Two separate actions have been filed in New York state court, in June 2017 and January 2018, against defendants including PJT Partners Inc., Park Hill Group LLC and Andrew W.W. Caspersen, arising out of the fraudulent conduct of Mr. Caspersen. Generally, the complaints allege that inadequate supervision enabled Caspersen to commit multiple frauds while using Park Hill Group's name and business resources. The two actions assert claims against the entity defendants for fraud (under theories of apparent authority and respondeat superior) and negligent supervision premised on frauds perpetrated by Mr. Caspersen during the period of his employment at Park Hill Group both before and after the October 1, 2015 spin-off of PJT Partners from The Blackstone Group L.P. PJT Partners Inc. and Park Hill Group moved to dismiss the June 2017 complaint on August 24, 2017. We believe that these actions are without merit and will defend them vigorously.

On June 16, 2009, Plaintiffs Frank Foy and Suzanne Foy, purportedly *asqui tam* plaintiffs on behalf of the State of New Mexico, filed a case in New Mexico state court against Park Hill Group and one of its officers, as well as The Blackstone Group L.P. (together, "Park Hill Defendants"), in addition to dozens of other named and unnamed defendants, alleging violations of New Mexico's Fraud Against Taxpayers Act ("FATA") in an action styled *Foy v. Austin Capital Management, Ltd., et al*, Case No. D-101-CV-2009-01189 (N.M. Dist. Ct.). The complaint alleged, among other things, that the New Mexico Educational Retirement Board and the New Mexico State Investment Council made investments that were influenced by kickbacks and other inducements. In the complaint, the Park Hill Defendants were grouped together with other defendants who were all alleged generically to have conspired to defraud the State of New Mexico. In May 2011, the trial court ruled that, as defendants had argued, FATA cannot constitutionally be applied retroactively. Plaintiffs appealed and, in December 2012, the intermediate appellate court affirmed the trial court's determination that FATA cannot constitutionally be applied retroactively. Plaintiffs appealed. On June 25, 2015, the New Mexico Supreme Court reversed the intermediate appellate court and held that a provision of FATA imposing treble damages could be applied retroactively. The New Mexico Supreme Court reserved judgment on whether FATA's provision imposing a civil penalty could be applied retroactively. The New Mexico Supreme Court also ordered this case to be consolidated with another case by the same plaintiffs, to which the Park Hill Defendants had not been parties. The proceedings in the trial court had been stayed pending resolution of Plaintiffs' appeal. On November 30, 2015, the New Mexico Attorney General filed a motion on behalf of the State of New Mexico seeking wholesale dismissal of these proceedings. On June 6, 2017, the court granted the motion to dismiss brought on behalf of the State of New Mexico, the effect of which dismissed the action against the Park Hill Defendants. Plaintiffs have filed an appeal of the court's decision.

### ITEM 4. MINE SAFETY DISCLOSURES

None.

## PART II.

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock is traded on the NYSE under the symbol "PJT." There is no publicly traded market for our Class B common stock, which is held by the limited partners of PJT Partners Holdings LP.

As of February 21, 2018, there were 144 holders of record of our Class A common stock. This does not include the number of holders that hold Class A common stock in "street name" through banks or broker-dealers.

The following table sets forth, for the fiscal quarter indicated, the high and low sales prices per share of our Class A common stock, as reported by the NYSE and the dividends paid per share of Class A common stock since October 1, 2015, the date that our common stock began "regular-way" trading on the NYSE. Prior to October 1, 2015, there was no public market for our Class A common stock. Our Class A common stock traded on a "when-issued" basis prior to October 1, 2015.

	Year Ended December 31, 2017		
	High	Low	Dividends Per Share
First Quarter	\$ 38.86	\$ 30.03	\$ 0.05
Second Quarter	\$ 41.42	\$ 32.61	\$ 0.05
Third Quarter	\$ 45.38	\$ 35.47	\$ 0.05
Fourth Quarter	\$ 46.31	\$ 36.40	\$ 0.05

	Year Ended December 31, 2016		
	High	Low	Dividends Per Share
First Quarter	\$ 28.60	\$ 19.96	\$ 0.05
Second Quarter	\$ 27.86	\$ 21.52	\$ 0.05
Third Quarter	\$ 27.45	\$ 22.28	\$ 0.05
Fourth Quarter	\$ 32.35	\$ 25.53	\$ 0.05

#### Dividend Policy

The Company currently plans to regularly pay quarterly dividends. The declaration and payment of any future dividends will be at the sole discretion of our board of directors. Our board of directors will take into account general economic and business conditions; our financial condition and operating results; our available cash and current anticipated cash needs; capital requirements; contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders; and such other factors as our board of directors may deem relevant.

PJT Partners Inc. is a holding company and has no material assets other than its controlling equity interest in PJT Partners Holdings LP, and certain cash and cash equivalents it may hold from time to time as described below. In accordance with the partnership agreement of PJT Partners Holdings LP, we intend to cause PJT Partners Holdings LP to make pro rata cash distributions, to the extent of available cash, to the holders of the partnership interests in PJT Partners Holdings LP, including PJT Partners Inc., in amounts equal to 50% of the taxable income allocated to such holders for purposes of funding their tax obligations in respect of the income of PJT Partners Holdings LP that is allocated to them, which we refer to as "tax distributions." In certain periods, we expect that PJT Partners Inc. will receive tax distributions in excess of the amount required to cover cash dividends, if any, declared by us, and taxes and payments under the tax receivable agreement payable by PJT Partners Inc. To the extent the amount of accumulated cash at PJT Partners Inc. becomes material in future periods, we anticipate that our board of directors will consider appropriate actions, which may include special cash dividends to holders of our Class A common stock. Holders of Partnership Units will not be precluded from effecting exchanges under our exchange agreement prior to any such actions being taken. Because PJT Partners Inc. must pay taxes and make payments under the tax receivable agreement, amounts ultimately distributed as dividends to holders of our Class A common stock are expected to be less than the amounts distributed by PJT Partners Holdings LP to its limited partners on a per unit basis.

The credit agreement governing our revolving credit facility includes, and financing arrangements that we enter into in the future may include, restrictive covenants that limit our ability to pay dividends or repurchase our capital stock. In addition, PJT Partners Holdings LP is generally prohibited under Delaware law from making a distribution to a partner to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of PJT Partners Holdings LP (with certain exceptions) exceed the fair value of its assets. Subsidiaries of PJT Partners Holdings LP are generally subject to similar legal limitations on their ability to make distributions to PJT Partners Holdings LP.

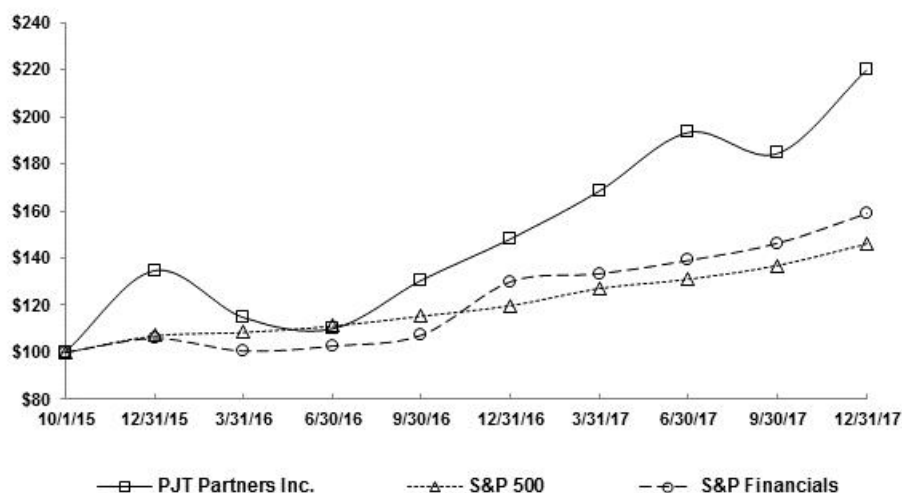
## Stock Performance

*The following performance graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent we specifically incorporate it by reference into such filing. Our stock price performance shown in the graph below is not indicative of future stock price performance.*

The stock performance graph below compares the performance of an investment in our Class A common stock from October 1, 2015 (the first day our common stock began “regular-way” trading on the NYSE) through December 31, 2017, with that of the S&P 500 Index and the S&P Financials Index. Prior to October 1, 2015, there was no public market for our Class A common stock. Our Class A common stock traded on a “when-issued” basis prior to October 1, 2015. The graph assumes \$100 was invested in our Class A common stock on October 1, 2015, and in the S&P 500 Index and the S&P Financials Index on September 30, 2015. It also assumes that the dividends were reinvested on the date of payment without payment of commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance.

### COMPARISON OF 27 MONTH CUMULATIVE TOTAL RETURN\*

Among PJT Partners Inc., the S&P 500 Index  
and the S&P Financials Index



\*\$100 invested on 10/1/15 in stock or 9/30/15 in index, including reinvestment of dividends.  
Fiscal year ending December 31.

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## Share Repurchases in the Fourth Quarter of 2017

	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)
October 1 to October 31	—	\$ —	—	\$ 100.0 million
November 1 to November 30	60,333	38.12	60,333	97.7 million
December 1 to December 31	—	—	—	97.7 million
Total	60,333	\$ 38.12	60,333	\$ 97.7 million

- (a) On October 26, 2017, our board of directors authorized the repurchase of shares of the Company's Class A common stock in an amount up to \$100 million. Under this repurchase program, shares of the Company's Class A common stock may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. The repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.

## Unregistered Sales of Equity Securities and Use of Proceeds

In connection with the issuance during the fourth quarter of 2017 of LTIP Units in PJT Partners Holdings LP to a partner of the Company and the transfer by limited partners of Partnership Units in PJT Partners Holdings LP, PJT Partners Inc. issued three corresponding shares of its Class B common stock, par value \$0.01 per share, to these limited partners. Shares of Class B common stock have no economic rights but entitle the holder, without regard to the number of shares of Class B common stock held, to a number of votes that is equal to the aggregate number of vested and unvested Partnership Units and LTIP Units in PJT Partners Holdings LP held by such holder on all matters presented to stockholders of PJT Partners Inc. other than director elections and removals. With respect to the election and removal of directors of PJT Partners Inc., shares of Class B common stock will initially entitle holders to only one vote per share. However, the voting power of Class B common stock with respect to the election and removal of directors of PJT Partners Inc. may be increased to up to the number of votes to which a holder is then entitled on all other matters presented to stockholders. The issuance of shares of Class B common stock was not registered under the Securities Act of 1933 because such shares were not issued in a transaction involving the offer or sale of securities.

## ITEM 6. SELECTED FINANCIAL DATA

On October 1, 2015, the Company completed the spin-off from Blackstone. For periods presented prior to October 1, 2015, the financial statements were prepared on a stand-alone basis and were derived from the consolidated financial statements and accounting records of Blackstone. The results of operations for the year ended December 31, 2015 reflect the combined results of Blackstone's operations for the period from January 1, 2015 to October 1, 2015 and the consolidated results of PJT Partners Inc., as reorganized and separated from Blackstone, through December 31, 2015. The results of operations for the years ended December 31, 2017 and 2016 reflect the results as a stand-alone, independent publicly traded company.

The statement of operations data for each of the years ended December 31, 2017, 2016 and 2015 and the statement of financial condition data as of December 31, 2017 and 2016 set forth below are derived from the Company's audited consolidated and combined financial statements included elsewhere in this Annual Report on Form 10-K. The statement of operations data for the years ended December 31, 2014 and 2013 and the statement of financial condition data as of December 31, 2015, December 31, 2014 and December 31, 2013 are derived from the Company's audited financial statements that are not included elsewhere in this Annual Report on Form 10-K. The Company's financial data are not indicative of our future performance and, for the years ended prior to December 31, 2016, do not necessarily reflect what our financial condition and results of operations would have been had we been operating as an independent, publicly traded company, including changes that occurred in our operations and capitalization as a result of the spin-off from Blackstone.

The selected consolidated and combined financial data should be read in conjunction with “—Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated and combined financial statements and related notes thereto included in this Annual Report on Form 10-K:

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands)				
Statement of Operations Data					
Revenues					
Advisory Fees	\$ 386,263	\$ 377,610	\$ 286,014	\$ 271,278	\$ 256,433
Placement Fees	102,785	114,968	114,058	127,664	136,726
Interest Income and Other	10,234	6,852	5,866	2,127	3,795
Total Revenues	499,282	499,430	405,938	401,069	396,954
Expenses					
Compensation and Benefits	391,514	381,000	315,195	317,478	339,778
Non-Compensation Expenses	97,714	103,930	96,679	76,053	70,976
Total Expenses	489,228	484,930	411,874	393,531	410,754
Income (Loss) Before Provision for Taxes	10,054	14,500	(5,936)	7,538	(13,800)
Provision for Taxes	38,380	9,392	239	3,046	3,373
Net Income (Loss)	(28,326)	5,108	(6,175)	\$ 4,492	\$ (17,173)
Net Income (Loss) Attributable to Non-Controlling Interests	4,228	8,142	(13,751)		
Net Income (Loss) Attributable to PJT Partners Inc.	\$ (32,554)	\$ (3,034)	\$ 7,576		
Net Loss Per Share of Class A Common Stock — Basic and Diluted	\$ (1.73)	\$ (0.17)			
Weighted-Average Shares of Class A Common Stock Outstanding — Basic and Diluted	18,858,010	18,292,717			
Dividends Declared Per Share of Class A Common Stock	\$ 0.20	\$ 0.20			
			October 1, 2015 through December 31, 2015		
Net Loss			\$ (24,935)		
Net Loss Attributable to Redeemable Non-Controlling Interests			(13,751)		
Net Loss Attributable to PJT Partners Inc.			\$ (11,184)		
Net Loss Per Share of Class A Common Stock — Basic and Diluted			\$ (0.61)		
Weighted-Average Shares of Class A Common Stock Outstanding — Basic and Diluted			18,258,174		
			December 31,		
	2017	2016	2015	2014	2013
	(Dollars in Thousands)				
Statement of Financial Condition Data					
Total Assets (a)	\$ 558,965	\$ 590,476	\$ 467,252	\$ 347,951	\$ 319,662
Total Liabilities (b)	\$ 136,511	\$ 177,060	\$ 125,317	\$ 15,631	\$ 18,334
Redeemable Non-Controlling Interests (c)	\$ —	\$ 421,976	\$ 309,855	\$ —	\$ —
Non-Controlling Interests (c)	\$ 579,732	\$ —	\$ —	\$ —	\$ —
Total Equity (Deficit) (c)	\$ 422,454	\$ (8,560)	\$ 32,080	\$ 332,320	\$ 301,328

- (a) Total Assets decreased at December 31, 2017 primarily due to decreases in Accounts Receivable and Deferred Tax Asset, Net being partially offset by an increase in investments in U.S. Treasury securities. The decrease in Deferred Tax Asset, Net was primarily related to the remeasurement of deferred tax assets due to the Tax Legislation. Total Assets increased at December 31, 2016 primarily due to increases in Cash and Cash Equivalents generated from operating activities during the year and Accounts Receivable. Total Assets increased at December 31, 2015 primarily related to the additional deferred tax asset recorded on October 1, 2015 related to the spin-off from Blackstone and the identifiable intangible assets recorded as part of the acquisition of PJT Capital LP.
- (b) Total Liabilities decreased at December 31, 2017 primarily related to a decrease in Accrued Compensation and Benefits. Total Liabilities increased at December 31, 2016 primarily related to an increase in Accrued Compensation and Benefits, partially offset by a decrease in Accounts Payable, Accrued Expenses and Other Liabilities. Total Liabilities increased at December 31, 2015 primarily related to an increase in Accrued Compensation and Benefits. Prior to the spin-off on October 1, 2015, intercompany amounts due to Blackstone were typically settled monthly, which included settlements of accruals for forecast year-end incentive compensation. Blackstone retained and paid the accrual for 2015 incentive compensation in respect of amounts recorded at September 30, 2015. Incentive compensation recorded during the fourth quarter of 2015 and going forward is recorded and paid by us.
- (c) These amounts reflected the allocation of Net Income (Loss) and the adjustment to measure the Redeemable Non-Controlling Interests at their current redemption value at each reporting date. The value of these interests was reclassified to Non-Controlling Interests at their redemption value as of October 1, 2017.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis should be read in conjunction with PJT Partners Inc.'s Consolidated and Combined Financial Statements and the related notes included in this Annual Report on Form 10-K.*

*The financial statements, which are discussed below, reflect the historical financial condition, results of operations and cash flows of the strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses of Blackstone for periods presented prior to October 1, 2015, the date that the spin-off and related transactions were completed. The financial information discussed below and included in this Annual Report on Form 10-K for such periods may not necessarily reflect what our financial condition, results of operations or cash flows would have been had we been a stand-alone company during the periods presented and the financial information discussed below and included in this Annual Report on Form 10-K may not necessarily reflect what our financial condition, results of operations and cash flows may be in the future.*

### **Our Business**

PJT Partners is a global advisory-focused investment bank. Our team of senior professionals delivers a wide array of strategic advisory, restructuring and special situations and private fund advisory and placement services to corporations, financial sponsors, institutional investors and governments around the world. We offer a unique portfolio of advisory services designed to help our clients achieve their strategic objectives. We also provide, through Park Hill Group, private fund advisory and placement services for alternative investment managers, including private equity funds, real estate funds and hedge funds.

We have world-class franchises in each of the areas in which we compete. Our strategic advisory business offers a broad range of financial advisory and transaction execution capability, including mergers and acquisitions ("M&A"), joint ventures, minority investments, asset swaps, divestitures, takeover defenses, corporate finance advisory, private placements and distressed sales. Our restructuring and special situations business is one of the world's leading advisors in restructurings and recapitalizations, both in and out of court, around the globe. With vast expertise in highly complex capital structure challenges, our Restructuring and Special Situations Group's services include advising companies, creditors and financial sponsors on recapitalizations, reorganizations, exchange offers, debt repurchases, capital raises and distressed mergers and acquisitions. Park Hill Group, our private fund advisory and placement business, is a world-leading fund placement agent and provides private fund advisory and placement services for a diverse range of investment strategies. Moreover, Park Hill Group is the only group among its peers with top-tier dedicated private equity, hedge fund, real estate and secondary advisory groups.

## Business Environment

Economic and global financial conditions can materially affect our operational and financial performance.

M&A is a cyclical business that is impacted by macroeconomic conditions. According to Thomson Reuters, worldwide M&A announced volumes during full year 2017 were on par with full year 2016 levels.<sup>1</sup> We remain in a very constructive environment for M&A by historical standards. We expect corporate boards and management teams to continue to use M&A as a tool for growth.

Global restructuring activity during 2017 slowed relative to 2016 due to the decrease in energy-related restructurings. Default rates remain at historic lows and access to the capital markets remains strong. However, there continues to be demand for restructuring services across several industries, including retail; healthcare; power; and technology, media and telecommunications; as well as outside the United States.

As investors seek to enhance returns, diversification and portfolio yield, alternative assets continue to be in demand by institutional investors on a global basis. Within certain asset classes, we are seeing increased interest in narrow and niche strategies as well as customized solutions such as joint ventures, separate accounts and direct investment opportunities.

On June 23, 2016, the United Kingdom (“U.K.”) voted to leave the European Union (“E.U.”), commonly referred to as “Brexit,” and on March 29, 2017, the U.K. began the process to withdraw from the E.U. The full impact of Brexit remains uncertain and the political climate in Europe continues to take shape. It is likely to take a significant period of time before the future terms of the U.K.’s relationship with the E.U. are determined. Circumstances relating to Brexit have the potential to impact particular client transactions as well as the Company’s decisions around our organization and/or operations.

## Key Financial Measures

### Revenues

Substantially all of our revenues are derived from Advisory Fees and Placement Fees. These revenues are primarily a function of the number of active engagements we have, the size of each of those engagements and the fees we charge for our services.

*Advisory Fees* – Our strategic advisory services include a broad range of financial advisory and transaction execution services relating to acquisitions, mergers, joint ventures, minority investments, asset swaps, divestitures, takeover defenses, corporate finance advisory and distressed sales. Our restructuring and special situations services include providing advice to corporations and creditors in recapitalizations and restructurings around the world, with particular expertise in large, complex and high-profile deals. In conjunction with providing such restructuring advice, we may also assist with raising various forms of financing, including debt and equity. Our secondary advisory services provided by Park Hill Group include providing solutions to investing clients seeking portfolio liquidity, unfunded commitment relief and investments in secondary markets. Advisory Fees typically consist of retainer and transaction-based fee arrangements. The amount and timing of the fees paid vary by the type of engagement. The majority of our Advisory Fees are dependent on the successful completion of a transaction.

A transaction can fail to be completed for many reasons, including failure of parties to agree upon final terms with the counterparty, to secure necessary board or shareholder approvals, to secure necessary financing or to achieve necessary regulatory approvals. In the case of bankruptcy engagements, fees are subject to approval of the court.

*Placement Fees* – Our fund placement services are provided within Park Hill Group and primarily serve private equity, real estate and hedge funds. Our team advises on all aspects of the fundraising process, including competitive positioning and market assessment, marketing materials and related documentation and partnership terms and conditions most prevalent in the current environment. We also provide private placement fundraising services to our corporate clients and earn placement fees based on successful completion of the transaction.

<sup>1</sup> Source: Thomson Reuters. Aggregate mergers and acquisitions values extracted from the official Thomson Reuters Mergers & Acquisitions Review for Full Year 2017, based on figures extracted from Thomson Reuters databases as of December 29, 2017.



Fund placement fees earned for services provided to alternative asset managers are typically recognized as earned upon acceptance by a fund of capital or capital commitments (referred to as a “closing”), in accordance with terms set forth in individual agreements. For commitment based fees, revenue is recognized as commitments are accepted. Fees for such closed-end fund arrangements are generally paid in quarterly installments over three or four years and interest is charged to the outstanding balance at an agreed upon rate (typically LIBOR plus a market-based margin). For funds with multiple closings, each closing is treated as a separate performance obligation. As a result, we recognize revenue at each closing as our performance obligations are fulfilled. For open-end fund structures, placement fees are typically calculated as a percentage of a placed investor’s month-end net asset value (“NAV”). Typically, we earn fees for such open-end fund structures over a 48 month period. For these arrangements, revenue is recognized monthly as the amounts become fixed or determinable.

We may receive non-refundable up-front fees upon execution of agreements with clients to provide placement services, which are recorded as revenues in the period over which services are provided.

*Revenues from Affiliates* – For periods presented prior to October 1, 2015, we reported revenues earned from services provided to portfolio companies owned or controlled by Blackstone as well as funds managed by Blackstone as Revenues from Affiliates in our Consolidated and Combined Statements of Operations. Advisory Fees from such assignments were 1.5% of our total Advisory Fees for the year ended December 31, 2015. Placement Fees from such assignments were 12.6% of our total Placement Fees for the year ended December 31, 2015. There were no revenues earned from affiliates for the years ended December 31, 2017 and 2016.

*Interest Income and Other* – Interest Income and Other represents interest typically earned on Cash and Cash Equivalents, investments in U.S. Treasury securities and outstanding placement fees receivable; miscellaneous income; foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars; sublease income; and the adjustment related to the Amount Due Pursuant to Tax Receivable Agreement. Interest on placement fees receivable is earned from the time revenue is recognized and is calculated based upon LIBOR plus an additional percentage as mutually agreed upon with the receivable counterparty. Interest receivable is included in Accounts Receivable in the Consolidated and Combined Statements of Financial Condition.

## **Expenses**

*Compensation and Benefits* – Compensation and Benefits expense includes salaries, bonuses, benefits, employer taxes and equity-based compensation associated with the grants of equity-based awards to employees and partners. Changes in this expense are driven by fluctuations in the number of employees, business performance, increases in wages as a result of inflation or labor market conditions, changes in rates for employer taxes and other cost increases affecting benefit plans. In addition, this expense is affected by the composition of our work force. The expense associated with our bonus and equity plans can also have a significant impact on this expense category and may vary from year to year.

We maintain compensation programs, including salaries, annual incentive compensation (that may include components of cash, restricted cash and/or restricted stock units) and benefits programs. We manage compensation to estimates of competitive levels based on market conditions and performance. Our level of compensation reflects our plan to maintain competitive compensation levels to retain key personnel and it reflects the impact of newly-hired senior professionals, including related grants of equity awards that are generally valued at their grant date fair value.

Increasing the number of high-caliber, experienced senior level employees is critical to our growth efforts. In our advisory businesses, these hires generally do not begin to generate significant revenue in the year they are hired.

Our remaining expenses are the other costs typical to operating our business, which generally consist of:

- *Occupancy and Related* – consisting primarily of costs related to leased property, including rent, maintenance, real estate taxes, utilities and other related costs. Our company headquarters are located in New York, New York, and we maintain additional offices in the U.S. and throughout the world;
- *Travel and Related* – consisting of costs for our partners and employees to render services where our clients are located;
- *Professional Fees* – consisting primarily of consulting, audit and tax, recruiting and legal and other professional services;

- *Communications and Information Services* – consisting primarily of costs for our technology infrastructure and telecommunications costs;
- *Depreciation and Amortization* – consisting of depreciation and amortization on our furniture, equipment, leasehold improvements and intangible assets; and
- *Other Expenses* – consisting primarily of bad debt, regulatory fees, insurance, fees paid for access to external market data, advertising, other general operating expenses and transaction-related payable to Blackstone.

*Income Taxes* – PJT Partners Inc. is a corporation subject to U.S. federal, state and local income taxes in jurisdictions where it does business. The Company's businesses generally operate as partnerships for U.S. federal and state purposes and as corporate entities in non-U.S. jurisdictions. In the U.S. federal and state jurisdictions, taxes related to income earned by these entities generally represent obligations of the individual members and partners. Prior to October 1, 2015, these taxes were not reflected in the Company's consolidated and combined financial statements.

The operating entities have generally been subject to New York City Unincorporated Business Tax ("UBT") and to entity-level income taxes imposed by non-U.S. jurisdictions, as applicable. These taxes have been reflected in the Company's consolidated and combined financial statements.

Prior to October 1, 2015, the Company's operations were included in the income tax returns of Blackstone's subsidiaries, except for certain entities that were classified as partnerships for U.S. tax purposes. These partnerships were subject to New York City UBT and certain other foreign, state and local taxes, as applicable.

In connection with the spin-off from Blackstone on October 1, 2015, PJT Partners Inc. became subject to U.S. corporate federal, state and local income tax on its allocable share of results of operations from the operating partnership (PJT Partners Holdings LP).

Tax Legislation was signed into law on December 22, 2017, which lowers the U.S. corporate income tax rate to 21% as of January 1, 2018. The estimated impact of the Tax Legislation was an increase in income tax expense of \$24.7 million due to the effects of the remeasurement of U.S. deferred tax assets at a lower enacted corporate tax rate. Additionally, the Company recorded an adjustment related to a decrease in the Amount Due Pursuant to Tax Receivable Agreement in the amount of \$1.6 million in Interest Income and Other.

The impact of the Tax Legislation may differ from the estimated amounts recorded, possibly materially, due to, among other things, further refinement of the Company's calculations, changes in interpretations and assumptions the Company has made, guidance that may be issued and actions the Company may take as a result of the Tax Legislation.

#### **Non-Controlling Interests**

PJT Partners Inc. is a holding company and its only material asset is its controlling equity interest in PJT Partners Holdings LP, and certain cash and cash equivalents it may hold from time to time. As the sole general partner of PJT Partners Holdings LP, PJT Partners Inc. operates and controls all of the business and affairs and consolidates the financial results of PJT Partners Holdings LP and its operating subsidiaries.

Prior to October 1, 2017, the ownership interests of holders of Partnership Units (other than PJT Partners Inc.) were considered redeemable non-controlling interests. Redeemable Non-Controlling Interests were presented separately from Equity in the Consolidated and Combined Statements of Financial Condition and the portion of net income (loss) attributable to the redeemable non-controlling interests was presented separately in the Consolidated and Combined Statements of Operations.

On October 1, 2017, certain of the restrictive covenants entered into in connection with the spin-off expired. Previously, the ability to settle exchanges of Partnership Units in shares of the Company's Class A common stock was not entirely within the Company's control. Consequently, the value of these interests has been reclassified from Redeemable Non-Controlling Interests to Non-Controlling Interests at their redemption value as of October 1, 2017. The portion of net income (loss) attributable to the non-controlling interests is presented separately in the Consolidated and Combined Statements of Operations.

## Consolidated and Combined Results of Operations

The following table sets forth our consolidated and combined results of operations for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,			2017 vs. 2016		2016 vs. 2015	
	2017	2016	2015	\$	%	\$	%
(Dollars in Thousands)							
<b>Revenues</b>							
Advisory Fees	\$ 386,263	\$ 377,610	\$ 286,014	\$ 8,653	2 %	\$ 91,596	32 %
Placement Fees	102,785	114,968	114,058	(12,183)	(11 %)	910	1 %
Interest Income and Other	10,234	6,852	5,866	3,382	49 %	986	17 %
<b>Total Revenues</b>	<b>499,282</b>	<b>499,430</b>	<b>405,938</b>	<b>(148)</b>	<b>(0 %)</b>	<b>93,492</b>	<b>23 %</b>
<b>Expenses</b>							
Compensation and Benefits	391,514	381,000	315,195	10,514	3 %	65,805	21 %
Occupancy and Related	26,889	25,815	32,682	1,074	4 %	(6,867)	(21 %)
Travel and Related	13,617	11,480	14,082	2,137	19 %	(2,602)	(18 %)
Professional Fees	19,276	18,925	19,814	351	2 %	(889)	(4 %)
Communications and Information Services	10,770	8,875	7,622	1,895	21 %	1,253	16 %
Depreciation and Amortization	8,143	14,026	14,872	(5,883)	(42 %)	(846)	(6 %)
Other Expenses	19,019	24,809	7,607	(5,790)	(23 %)	17,202	226 %
<b>Total Expenses</b>	<b>489,228</b>	<b>484,930</b>	<b>411,874</b>	<b>4,298</b>	<b>1 %</b>	<b>73,056</b>	<b>18 %</b>
<b>Income (Loss) Before Provision for Taxes</b>	<b>10,054</b>	<b>14,500</b>	<b>(5,936)</b>	<b>(4,446)</b>	<b>(31 %)</b>	<b>20,436</b>	<b>N/M</b>
<b>Provision for Taxes</b>	<b>38,380</b>	<b>9,392</b>	<b>239</b>	<b>28,988</b>	<b>309 %</b>	<b>9,153</b>	<b>N/M</b>
<b>Net Income (Loss)</b>	<b>(28,326)</b>	<b>5,108</b>	<b>(6,175)</b>	<b>(33,434)</b>	<b>N/M</b>	<b>11,283</b>	<b>N/M</b>
<b>Net Income (Loss) Attributable to Non-Controlling Interests</b>	<b>4,228</b>	<b>8,142</b>	<b>(13,751)</b>	<b>(3,914)</b>	<b>(48 %)</b>	<b>21,893</b>	<b>N/M</b>
<b>Net Income (Loss) Attributable to PJT Partners Inc.</b>	<b>\$ (32,554)</b>	<b>\$ (3,034)</b>	<b>\$ 7,576</b>	<b>\$ (29,520)</b>	<b>(973 %)</b>	<b>\$ (10,610)</b>	<b>N/M</b>

N/M Not meaningful.

The Company's results of operations for periods presented prior to October 1, 2015 reflect the historical financial results of operations of the strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses of Blackstone. The results of operations may not necessarily reflect our results of operations had we been a stand-alone company during the periods presented or what our financial results may be in the future. Additionally, the results of operations of PJT Capital LP are not included in the results of operations for periods presented prior to October 1, 2015 as the acquisition did not occur until October 1, 2015.

### Year Ended December 31, 2017 versus Year Ended December 31, 2016

#### Revenues

Total Revenues were \$499.3 million for the year ended December 31, 2017, approximately flat compared with \$499.4 million for the year ended December 31, 2016. The change in Total Revenues was primarily driven by an increase of \$8.7 million in Advisory Fees partially offset by a decrease of \$12.2 million in Placement Fees. Advisory Fees were \$386.3 million for the year ended December 31, 2017, up slightly compared with \$377.6 million for the year ended December 31, 2016. Placement Fees were \$102.8 million for the year ended December 31, 2017 compared with \$115.0 million for the year ended December 31, 2016. The decrease in Placement Fees was primarily due to lower corporate private placement revenues.

The following table provides revenue statistics for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
	2017	2016	2015
<b>Advisory Fees</b>			
Number of Clients	153	145	134
Number of Fee-Paying Clients with \$1 Million or More	88	86	63
Number of Fee-Paying Clients Representing Greater than 10% of Advisory Fees	—	—	1
Percentage of Such Clients' Fees of Total Advisory Fees	—	—	13.9 %
<b>Placement Fees</b>			
Number of Clients	79	78	76
Number of Fee-Paying Clients with \$1 Million or More	34	31	35
Number of Fee-Paying Clients Representing Greater than 10% of Placement Fees	—	—	—
Percentage of Such Clients' Fees of Total Placement Fees	—	—	—

#### *Expenses*

Expenses were \$489.2 million for the year ended December 31, 2017, an increase of \$4.3 million compared with \$484.9 million for the year ended December 31, 2016. The increase in expenses was primarily attributable to increases in Compensation and Benefits of \$10.5 million, Travel and Related of \$2.1 million and Communications and Information Services of \$1.9 million; partially offset by decreases in Depreciation and Amortization of \$5.9 million and Other Expenses of \$5.8 million. The increase in Compensation and Benefits was primarily due to increased headcount. The decrease in Depreciation and Amortization was primarily due to a decrease in amortization expense related to certain intangible assets identified in connection with the spin-off that were fully amortized in the prior year. Other Expenses were lower in the year ended December 31, 2017 primarily due to the absence of a non-recurring charge recorded during 2016 and lower bad debt expense.

#### *Provision for Taxes*

The Company's Provision for Taxes for the year ended December 31, 2017 and 2016 was \$38.4 million and \$9.4 million, respectively. This resulted in an effective tax rate of 381.7% and 64.8%, respectively, based on our Income Before Provision for Taxes of \$10.1 million and \$14.5 million for the years ended December 31, 2017 and 2016, respectively. The effective tax rate increased in the year ended December 31, 2017 compared with the year ended December 31, 2016 primarily due to the remeasurement of the Company's deferred tax assets at a lower corporate tax rate due to the Tax Legislation as well as permanent differences related to equity-based compensation and return to provision adjustments.

#### *Non-Controlling Interests*

Net Income (Loss) Attributable to Non-Controlling Interests is derived from the Income (Loss) Before Provision for Taxes and the percentage allocation of the income (loss) between the holders of Partnership Units and holders of Class A common stock of PJT Partners Inc. after considering any contractual arrangements that govern the allocation of income (loss). As of October 1, 2017, the Redeemable Non-Controlling Interests were reclassified to Non-Controlling Interests.

#### *Year Ended December 31, 2016 versus Year Ended December 31, 2015*

##### *Revenues*

Total Revenues were \$499.4 million for the year ended December 31, 2016, an increase of \$93.5 million compared with \$405.9 million for the year ended December 31, 2015. The increase in Total Revenues was primarily driven by an increase of \$91.6 million in Advisory Fees. The increase in Advisory Fees was driven by an overall increase in the number of clients and size of fees during the year ended December 31, 2016, primarily within the restructuring and special situations business. Placement Fees were \$115.0 million for the year ended December 31, 2016, approximately flat compared with \$114.1 million for the year ended December 31, 2015.

### *Expenses*

Expenses were \$484.9 million for the year ended December 31, 2016, an increase of \$73.1 million compared with \$411.9 million for the year ended December 31, 2015. The increase in expenses was primarily attributable to increases in Compensation and Benefits and Other Expenses of \$65.8 million and \$17.2 million, respectively, and partially offset by a decrease in Occupancy and Related of \$6.9 million. The increase in Compensation and Benefits was primarily due to a full year of amortization of equity compensation related to the spin-off, as well as an increase in headcount and improved business performance. The increase in Other Expenses was primarily due to the previously disclosed \$3.3 million charge (including an offset for insurance recovery) recorded in the first quarter of 2016, certain spin-off-related payables due to Blackstone, an increase in bad debt expense and increased costs associated with our operation as a stand-alone public company since October 1, 2015. The decrease in Occupancy and Related was primarily due to the prior year reflecting rent expense for both current and previous office locations during the period of transition.

### *Provision for Taxes*

The Company's Provision for Taxes for the year ended December 31, 2016 and 2015 was \$9.4 million and \$0.2 million, respectively. This resulted in an effective tax rate of 64.8% and -4.0%, respectively, based on our Income Before Provision for Taxes of \$14.5 million for the year ended December 31, 2016 and Loss Before Provision for Taxes of \$5.9 million for the year ended December 31, 2015. The effective tax rate increased in the year ended December 31, 2016 compared with the year ended December 31, 2015 primarily due to the Company's new entity structure on October 1, 2015 as a publicly traded corporation and due to permanent differences related to compensation and amounts the Company has agreed to pay Blackstone with respect to net realized cash benefits arising from certain compensation-related tax deductions.

### *Redeemable Non-Controlling Interests*

Net Income (Loss) Attributable to Redeemable Non-Controlling Interests is derived from the Income (Loss) Before Provision for Taxes and the percentage allocation of the income (loss) between the holders of Partnership Units and holders of Class A common stock of PJT Partners Inc. after considering any contractual arrangements that govern the allocation of income (loss). Prior to the spin-off on October 1, 2015, redeemable non-controlling interests had not been presented in the financial statements.

## **Liquidity and Capital Resources**

### ***General***

We regularly monitor our liquidity position, including cash and cash equivalents, investments in U.S. Treasury securities, working capital assets and liabilities, any commitments and other liquidity requirements.

Our assets have historically comprised cash and cash equivalents, investments in U.S. Treasury securities and receivables arising from strategic advisory and placement engagements. Our liabilities primarily include accrued compensation and benefits, accounts payable and accrued expenses and taxes payable. We expect to pay a significant amount of incentive compensation late each year or during the beginning of the next calendar year with respect to the prior year's results. A portion of annual compensation may be awarded with equity-based compensation and thus requires less cash. We expect levels of cash to decline at year-end or during the first quarter of each year after incentive compensation is paid to our employees. We then expect cash to gradually increase over the remainder of the year.

We have entered into a credit facility with First Republic Bank to provide a \$60.0 million revolving credit facility, with the ability to increase the credit facility up to \$80.0 million during the period beginning December 1 each year through March 1 the following year, so long as no event of default has occurred and is continuing or would be caused by exercising such option. The revolving credit facility is further described in Note 13. "Commitments and Contingencies—Commitments, Line of Credit" in the "Notes to Consolidated and Combined Financial Statements" in "—Item 8. Financial Statements and Supplementary Data" of this filing.

On October 30, 2017, PJT Partners Holdings LP entered into a Renewal Agreement (the "Renewal Agreement") and related documents with First Republic Bank, amending the terms of the Company's revolving credit facility under the Loan Agreement. The Renewal Agreement provides for an extension of the maturity of the revolving credit facility to October 1, 2019.

As of December 31, 2017 and 2016, there were no borrowings under the revolving credit facility and we were in compliance with all debt covenants.

We evaluate our cash needs on a regular basis in light of current market conditions. As of December 31, 2017 and 2016, we had cash, cash equivalents and investments in U.S. Treasury securities of \$182.7 million and \$152.4 million, respectively.

Our liquidity is highly dependent upon cash receipts from clients, which are generally dependent upon the successful completion of transactions as well as the timing of receivable collections. As of December 31, 2017 and 2016, total accounts receivable were \$190.4 million and \$227.6 million, respectively, net of allowance for doubtful accounts of \$1.9 million and \$4.4 million, respectively. Included in Accounts Receivable are long-term receivables of \$77.7 million and \$73.1 million as of December 31, 2017 and 2016, respectively, related to placement fees that are generally paid in installments over a period of three to four years.

#### ***Sources and Uses of Liquidity***

Our primary cash needs are for working capital, paying operating expenses, including cash compensation to our employees, funding the cash redemption of Partnership Units, paying income taxes, making distributions to our shareholders in accordance with our dividend policy, capital expenditures, commitments and strategic investments. We expect to fund these liquidity requirements through cash flows from operations and borrowings under our revolving credit facility. Our ability to fund these needs through cash flows from operations will depend, in part, on our ability to generate or raise cash in the future. This depends on our future financial results, which are subject to general economic, financial, competitive, legislative and regulatory factors. Furthermore, our ability to forecast future cash flows is more limited because we do not have a long-established operating history as a stand-alone company. If our cash flows from operations are less than we expect, we may need to incur debt, issue additional equity or borrow from our revolving credit facility. Although we believe that the arrangements we have in place will permit us to finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including: (a) our credit ratings or absence of a credit rating, (b) the liquidity of the overall capital markets, and (c) the current state of the economy. We cannot provide any assurance that such financing will be available to us on acceptable terms or that such financing will be available at all. We believe that our future cash from operations and availability under our revolving credit facility, together with our access to funds on hand, will provide adequate resources to fund our short-term and long-term liquidity and capital needs.

Subject to the terms and conditions of the exchange agreement between us and certain of the holders of Partnership Units (other than PJT Partners Inc.), Partnership Units are exchangeable at the option of the holder for cash or, at our election, for shares of our Class A common stock on a one-for-one basis. Depending on our liquidity and capital resources, market conditions, the timing and concentration of exchange requests and other considerations, we may choose to fund cash-settled exchanges of Partnership Units with available cash, borrowings or new issuances of Class A common stock or to settle exchanges by issuing Class A common stock to the exchanging Partnership Unitholder. Issuing significant numbers of shares of our Class A common stock upon exchange of Partnership Units could adversely affect the tax consequences to Blackstone of the distribution. Accordingly, while we will retain the right under the Exchange Agreement to elect to settle exchanges in cash or Class A common stock in our sole discretion, we intend to limit such issuances of Class A common stock in settlement of exchanges of Partnership Units to the extent necessary to preserve the intended tax-free nature of the spin-off and to comply with our obligations under the Tax Matters Agreement.

#### ***Regulatory Capital***

We actively monitor our regulatory capital base. We are subject to regulatory requirements in the U.S. and certain international jurisdictions to ensure general financial soundness and liquidity. This requires, among other things, that we comply with certain minimum capital requirements, recordkeeping, reporting procedures, experience and training requirements for employees and certain other requirements and procedures. These regulatory requirements may restrict the flow of funds to and from affiliates. See Note 15. "Regulated Entities" in the "Notes to Consolidated and Combined Financial Statements" in "—Item 8. Financial Statements and Supplementary Data" of this filing for further information. The licenses under which we operate are meant to be appropriate to conduct our strategic advisory, restructuring and special situations and private fund advisory and placement services businesses. We believe that we provide each of these entities with sufficient capital and liquidity, consistent with their business and regulatory requirements.

Our activities may also be subject to regulation, including regulatory capital requirements, by various other foreign jurisdictions and self-regulatory organizations.

We do not anticipate that compliance with any and all such requirements will materially adversely impact the availability of funds for domestic and parent-level purposes.

### Share Repurchase Program

On October 26, 2017, our board of directors authorized the repurchase of shares of the Company's Class A common stock in an amount up to \$100 million. Under this repurchase program, shares of the Company's Class A common stock may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. The repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.

During the year ended December 31, 2017, we repurchased 60,333 shares of Class A common stock at an average price of \$38.12, or \$2.3 million in aggregate, pursuant to this share repurchase program. As of December 31, 2017, the available amount remaining for repurchases under this program was \$97.7 million.

### Contractual Obligations

The following table sets forth information relating to our contractual obligations as of December 31, 2017:

Contractual Obligations	2018	2019–2020	2021–2022	Thereafter	Total
	(Dollars in Thousands)				
Operating Leases (a)	\$ 19,833	\$ 39,817	\$ 41,116	\$ 88,390	\$ 189,156
Capital Leases (including interest)	107	187	4	—	298
Purchase Obligations	2,377	4,950	1,397	—	8,724
Tax Benefit Liability (b)	3,146	—	—	—	3,146
Amount Due Pursuant to Tax Receivable Agreement (c)	215	379	379	1,884	2,857
Total	<u>\$ 25,678</u>	<u>\$ 45,333</u>	<u>\$ 42,896</u>	<u>\$ 90,274</u>	<u>\$ 204,181</u>

- (a) We lease our office space under agreements that expire at various dates through 2030. Further disclosure regarding rent is provided in Note 13. "Commitments and Contingencies—Commitments, Leases" in the "Notes to Consolidated and Combined Financial Statements" in "—Item 8. Financial Statements and Supplementary Data" of this filing. In connection with these lease agreements, we are responsible for escalation payments. The contractual obligation table above includes only guaranteed minimum lease payments for such leases and does not project potential escalation or other lease-related payments. These leases are classified as operating leases for financial statement purposes and as such are not recorded as liabilities in the Consolidated and Combined Statements of Financial Condition. The amounts presented are net of contractual sublease commitments.
- (b) Pursuant to the Employee Matters Agreement, we have agreed to pay Blackstone the net realized cash benefit resulting from certain compensation-related tax deductions. Amounts are payable annually (for periods in which a cash benefit is realized) within nine months of the end of the relevant tax period. Further disclosure regarding this liability is provided in Note 13. "Commitments and Contingencies—Transactions and Agreements with Blackstone, Employee Matters Agreement" in the "Notes to Consolidated and Combined Financial Statements" in "—Item 8. Financial Statements and Supplementary Data" of this filing.
- (c) As of December 31, 2017, the Company had an amount due of \$2.9 million pursuant to the tax receivable agreement, which represents management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. Actual payments may differ significantly from estimated payments. Further disclosure regarding the tax receivable agreement is presented in Note 2. "Summary of Significant Accounting Policies—Amount Due Pursuant to Tax Receivable Agreement" and Note 12. "Transactions with Related Parties—Tax Receivable Agreement" in the "Notes to Consolidated and Combined Financial Statements" in "—Item 8. Financial Statements and Supplementary Data" of this filing.

## **Commitments and Contingencies**

### ***Litigation***

We previously recorded an expense of \$8.9 million during the year ended December 31, 2016 related to the Caspersen matter, which represented the amount that was considered to be probable and reasonably estimable, as well as a related insurance reimbursement of \$5.6 million deemed probable of receipt. We made payments totaling \$8.9 million related to the charge and also received a \$5.6 million insurance reimbursement during the year ended December 31, 2016.

With respect to actual and potential additional claims related to funds fraudulently obtained by Mr. Caspersen, we believe that the total potential amount of any such claims to be less than \$30 million, any such claims are without merit and we will vigorously defend any such actions.

With respect to our other litigation matters, including the litigation discussed under the caption “Legal Proceedings” elsewhere in this report, we are not currently able to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support such an assessment, including quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by courts on motions or appeals, analysis by experts or the status of any settlement negotiations. However, the disposition of these contingencies could be material to our financial results in the period in which it occurs.

### ***Guarantee***

The Company provides a guarantee to a lending institution for certain loans held by employees for investment in funds of its former Parent, which are secured by the underlying investments in those funds. The amount guaranteed as of December 31, 2017 was \$9.7 million.

### ***Indemnifications***

We have entered and may continue to enter into contracts, including contracts with Blackstone relating to the spin-off, which contain a variety of indemnification obligations. Our maximum exposure under these arrangements is not known; however, we currently expect any associated risk of loss to be insignificant. In connection with these matters, we have incurred and may continue to incur legal expenses, which are expensed as incurred.

### ***Other***

See Notes 8, 10, 13 and 14 in the “Notes to Consolidated and Combined Financial Statements” in “—Item 8. Financial Statements and Supplementary Data” of this filing for further information in connection with income taxes, equity compensation plans, commitments and employee benefit plans, respectively.

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

The Company is not involved with any off-balance sheet arrangements that are not elsewhere reflected in our consolidated and combined financial statements.

### **Critical Accounting Policies**

We prepare our consolidated and combined financial statements in conformity with accounting principles generally accepted in the United States of America. In applying many of these accounting principles, we need to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments; however, are often subjective. Actual results may be affected negatively based on changing circumstances. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. (See Note 2. “Summary of Significant Accounting Policies” in the “Notes to Consolidated and Combined Financial Statements” in “—Item 8. Financial Statements and Supplementary Data” of this filing.)



### ***Revenue Recognition and Allowance for Doubtful Accounts***

Revenues consist of Advisory Fees, Placement Fees and Interest Income and Other. Fees are recognized when (a) there is evidence of an arrangement with a client, (b) agreed upon services have been provided, (c) fees are fixed or determinable, and (d) collection is reasonably assured.

*Advisory Fees* – Advisory Fees typically consist of retainer and transaction-based fee arrangements related to strategic advisory services, restructuring and special situations services and secondary advisory services provided by Park Hill Group. Advisory retainer and transaction-based fees are recognized when services for the transactions are complete, in accordance with terms set forth in individual agreements. The amount and timing of the fees paid vary by the type of engagement. The majority of the Advisory Fees are dependent on the successful completion of a transaction.

*Placement Fees* – Placement Fees consist of fund placement services for alternative investment funds and private placements for corporate clients. Placement fees earned for services to corporate clients are recognized as earned upon successful completion of the transaction. Fund placement fees earned for services to alternative asset managers are typically recognized as earned upon acceptance by a fund of capital or capital commitments, in accordance with terms set forth in individual agreements. For commitment based fees, revenue is recognized as commitments are accepted. Fees for such closed-end fund arrangements are generally paid in quarterly installments over three or four years and interest is charged to the outstanding balance at an agreed upon rate (typically LIBOR plus a market-based margin). For funds with multiple closings, each closing is treated as a separate performance obligation. As a result, we recognize revenue at each closing as our performance obligations are fulfilled. For open-end fund structures, placement fees are typically calculated as a percentage of a placed investor's month-end NAV. Typically, we earn fees for such open-end fund structures over a 48 month period. For these arrangements, revenue is recognized monthly as the amounts become fixed or determinable.

We may receive non-refundable up-front fees upon execution of agreements with clients to provide placement services, which are recorded as revenues in the period over which services are provided.

Accrued but unpaid Advisory and Placement Fees are included in Accounts Receivable in the Consolidated and Combined Statements of Financial Condition.

*Interest Income and Other* – Interest Income and Other represents interest typically earned on Cash and Cash Equivalents, investments in U.S. Treasury securities and outstanding placement fees receivable; miscellaneous income; foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars; sublease income; and the adjustment related to the Amount Due Pursuant to Tax Receivable Agreement. Interest on placement fees receivable is earned from the time revenue is recognized and is calculated based upon LIBOR plus an additional percentage as mutually agreed upon with the receivable counterparty. Interest receivable is included in Accounts Receivable in the Consolidated and Combined Statements of Financial Condition.

*Deferred Revenue* – Deferred Revenue represents the receipt of Advisory and Placement Fees prior to such amounts being earned and is recognized using the straight-line method over the period that it is earned.

*Allowance for Doubtful Accounts* – The Company performs periodic reviews of outstanding accounts receivable and its clients' financial condition. The Company generally does not require collateral and establishes an allowance for doubtful accounts based upon factors such as historical experience, credit quality, age of the accounts receivable balances and the current economic conditions that may affect a counterparty's ability to pay such amounts owed to the Company.

After concluding that a reserved accounts receivable balance is no longer collectible, the Company will reduce both the gross receivable and the allowance for doubtful accounts. This is determined based on several factors, including the age of the accounts receivable balance and the creditworthiness of the counterparty.

### ***Expenses***

*Compensation and Benefits* – Compensation and Benefits consists of (a) employee compensation, comprising salary and cash bonus, and benefits paid and payable to employees and partners; and (b) equity-based compensation associated with the grants of equity-based awards to employees and partners. Compensation cost relating to the issuance of equity-based awards with a requisite service period to partners and employees is measured at fair value at the grant date, taking into consideration expected forfeitures, and expensed over the vesting period on a straight-

line basis. Equity-based awards that do not require future service are expensed immediately. Cash settled equity-based awards are classified as liabilities and are remeasured at the end of each reporting period.

Prior to October 1, 2015, certain of the Company's employees participated in Blackstone's equity-based compensation plans. Equity-based compensation expense related to those plans was based upon specific identification of cost related to the Company's employees. The Company also received allocated equity-based compensation expense associated with Blackstone's employees of central support functions.

In certain instances, the Company may grant equity-based awards containing both a service and a market condition. The effect of the market condition is reflected in the grant date fair value of the award. Compensation cost is recognized for an award with a market condition over the requisite service period, provided that the requisite service period is completed, irrespective of whether the market condition is satisfied. If a recipient terminates employment before completion of the requisite service period, any compensation cost previously recognized is reversed unless the market condition has been satisfied prior to termination. If the market condition has been satisfied during the vesting period, the remaining unrecognized compensation cost is accelerated.

At the Company's discretion, the Company may provide compensation to certain employees with repayment obligations. Such payments are recorded in Compensation and Benefits in the Consolidated and Combined Statements of Operations. The Company assesses the potential risk of forfeiture and likelihood of recouping amounts paid, and if deemed necessary, records a provision for forfeitures in the financial statements.

#### ***Goodwill and Intangible Assets***

Goodwill recorded arose from the contribution and reorganization of Blackstone's predecessor entities in 2007 immediately prior to Blackstone's initial public offering ("IPO") as well as from the acquisition of PJT Capital LP that occurred on October 1, 2015. Goodwill is reviewed for impairment at least annually utilizing a qualitative or quantitative approach and more frequently if circumstances indicate impairment may have occurred. Goodwill is tested for impairment at the reporting unit level. A reporting unit is a component of an operating segment for which discrete financial information is available that is regularly reviewed by management. The impairment testing for goodwill under the qualitative approach is based first on a qualitative assessment to determine if it is more likely than not that the fair value of the Company's reporting unit is less than its respective carrying value. If it is determined that it is more likely than not that the reporting unit's fair value is less than its carrying value or when the quantitative approach is used, a quantitative assessment is performed to (a) calculate the fair value of the reporting unit and compare it to its carrying value, and (b) if the carrying value exceeds its fair value, to measure an impairment loss.

The Company's intangible assets are derived from (a) customer relationships that were established as part of Blackstone's IPO, (b) the value of the trade name as part of the acquisition of PJT Capital LP, (c) the open customer backlog acquired as part of the PJT Capital LP acquisition, and (d) the purchase of certain customer mandates from Blackstone. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives of one to fifteen years, reflecting the average time over which such intangible assets are expected to contribute to cash flows. Amortization expense is included in Depreciation and Amortization in the Consolidated and Combined Statements of Operations. The Company does not hold any indefinite-lived intangible assets. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### ***Income Taxes***

The Company uses the asset and liability method of accounting for deferred tax assets and liabilities. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases, using the enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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

#### ***Tax Receivable Agreement***

Holders of Partnership Units (other than PJT Partners Inc.) may, subject to the terms and conditions set forth in the partnership agreement of PJT Partners Holdings LP, on a quarterly basis (subject to the terms of the exchange agreement), exchange their Partnership Units for cash or, at our election, for shares of Class A common stock of PJT Partners Inc. on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. PJT Partners Holdings LP intends to make an election under Section 754 of the Code effective for each taxable year in which an exchange of Partnership Units for cash or for shares of Class A common stock occurs, which is expected to result in increases to the tax basis of the assets of PJT Partners Holdings LP at the time of an exchange of Partnership Units. Stock-settled exchanges and certain of these cash-settled exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of PJT Partners Holdings LP. These increases in tax basis may reduce the amount of tax that PJT Partners Inc. would otherwise be required to pay in the future. These increases in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The Internal Revenue Service may challenge all or part of the tax basis increase and increased deductions, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with the holders of Partnership Units (other than PJT Partners Inc.) that provides for the payment by PJT Partners Inc. to exchanging holders of Partnership Units of 85% of the benefits, if any, that PJT Partners Inc. is deemed to realize as a result of the increases in tax basis related to such exchanges of Partnership Units and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of PJT Partners Inc. and not of PJT Partners Holdings LP. PJT Partners Inc. expects to benefit from the remaining 15% of cash tax savings, if any, in income tax it realizes.

For purposes of the tax receivable agreement, the cash tax savings in income tax is computed by comparing the actual income tax liability of PJT Partners Inc. (calculated with certain assumptions) to the amount of such taxes that PJT Partners Inc. would have been required to pay had there been no increase to the tax basis of the assets of PJT Partners Holdings LP as a result of the exchanges and had PJT Partners Inc. not entered into the tax receivable agreement. The term of the tax receivable agreement continues until all such tax benefits have been utilized or expired, unless PJT Partners Inc. exercises its right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement or PJT Partners Inc. breaches any of its material obligations under the tax receivable agreement in which case all obligations generally will be accelerated and due as if PJT Partners Inc. had exercised its right to terminate the tax receivable agreement.

Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. While the actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of PJT Partners Holdings LP, the payments that PJT Partners Inc. may make under the tax receivable agreement will be substantial. There may be a material negative effect on our liquidity if, as a result of timing discrepancies or otherwise, the payments under the tax receivable agreement exceed the actual cash tax savings that PJT Partners Inc. realizes in respect of the tax attributes subject to the tax receivable agreement and/or distributions to PJT Partners Inc. by PJT Partners Holdings LP are not sufficient to permit PJT Partners Inc. to make payments under the tax receivable agreement after it has paid taxes. Late payments under the tax receivable agreement generally will accrue interest at an uncapped rate equal to LIBOR plus 500 basis points. The payments under the tax receivable agreement are not conditioned upon continued ownership of us by holders of Partnership Units.

We account for the effects of these increases in tax basis and associated payments under the tax receivable agreement arising from exchanges as follows:

- we record an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal, state and local tax rates at the date of the exchange;
- to the extent we estimate that we will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, our expectation of future earnings, we reduce the deferred tax asset with a valuation allowance; and
- we record 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase to the Amount Due Pursuant to Tax Receivable Agreement and the remaining 15% of the estimated realizable tax benefit as an increase to Additional Paid-In Capital.

The effects of changes in estimates after the date of the redemption or exchange as well as subsequent changes in the enacted tax rates are included in net income.

#### **Recent Accounting Developments**

Information regarding recent accounting developments and their impact on PJT Partners can be found in Note 2. “Summary of Significant Accounting Policies—Recent Accounting Developments” in the “Notes to Consolidated and Combined Financial Statements” in “—Item 8. Financial Statements and Supplementary Data” of this filing.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

##### **Market Risk and Credit Risk**

Our business is not capital-intensive and we do not invest in derivative instruments or, generally, borrow through issuing debt. As a result, we are not subject to significant market risk (including interest rate risk, foreign currency exchange rate risk and commodity price risk) or credit risk.

##### *Risks Related to Cash, Cash Equivalents and Investments in U.S. Treasury Securities*

Our cash and cash equivalents include all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less from the date of purchase. Cash is primarily maintained at three major U.S. financial institutions. In addition to cash and cash equivalents, we hold investments in U.S. Treasury securities, certain of which are classified as Investments on our Consolidated and Combined Statements of Financial Condition. We believe our cash, cash equivalents and investments in U.S. Treasury securities are not subject to any material interest rate risk, equity price risk, credit risk or other market risk.

##### *Credit Risk*

We regularly review our accounts receivable and allowance for doubtful accounts by considering factors such as historical experience, credit quality, age of the accounts receivable and recoverable expense balances and the current economic conditions that may affect a customer’s ability to pay such amounts owed to the Company. We maintain an allowance for doubtful accounts that, in our opinion, provides for an adequate reserve to cover losses that may be incurred. As of December 31, 2017 and 2016, our allowance for doubtful accounts was \$1.9 million and \$4.4 million, respectively, representing 1.0% and 1.9%, respectively, of the gross accounts receivable at the respective dates.

#### *Exchange Rate Risk*

We are exposed to the risk that the exchange rate of the U.S. dollar relative to other currencies may have an adverse effect on the reported value of our non-U.S. dollar denominated or based assets and liabilities. In addition, the reported amounts of our advisory revenues may be affected by movements in the rate of exchange between the currency in which an invoice is issued and paid and the U.S. dollar, the currency in which our financial statements are denominated. The principal non-U.S. dollar currencies include the pound sterling, the euro, the Japanese yen and the Hong Kong dollar. For the years ended December 31, 2017, 2016 and 2015, the impact of the fluctuation of foreign currencies in Other Comprehensive Income (Loss), Net of Tax – Currency Translation Adjustment in the Consolidated and Combined Statements of Comprehensive Income (Loss) were gains of \$0.2 million, \$0.3 million and \$0.6 million, respectively, and in Interest Income and Other in the Consolidated and Combined Statements of Operations, a gain of \$0.2 million, a gain of \$0.2 million and a loss of \$0.2 million, respectively. We have not entered into any transaction to hedge our exposure to these foreign currency fluctuations through the use of derivative instruments or other methods as we do not consider there to be significant foreign exchange risk at this time.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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## Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of PJT Partners Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated and combined statements of financial condition of PJT Partners Inc. and subsidiaries (the “Company”) as of December 31, 2017 and 2016, the related consolidated and combined statements of operations, comprehensive income (loss), changes in equity (deficit), and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2018, expressed an unqualified opinion on the Company’s internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

New York, New York  
February 27, 2018

We have served as the Company’s auditor since 2015.

**PJT Partners Inc.**  
**Consolidated and Combined Statements of Financial Condition**  
(Dollars in Thousands, Except Share and Per Share Data)

	December 31,	
	2017	2016
<b>Assets</b>		
Cash and Cash Equivalents	\$ 145,619	\$ 152,431
Investments	37,121	—
Accounts Receivable (net of allowance for doubtful accounts of \$1,934 and \$4,374 at December 31, 2017 and December 31, 2016, respectively)	190,389	227,560
Intangible Assets, Net	12,295	14,713
Goodwill	72,286	72,286
Furniture, Equipment and Leasehold Improvements, Net	33,789	38,155
Other Assets	23,464	14,374
Deferred Tax Asset, Net	44,002	70,957
<b>Total Assets</b>	<u>\$ 558,965</u>	<u>\$ 590,476</u>
<b>Liabilities, Redeemable Non-Controlling Interests and Equity (Deficit)</b>		
Accrued Compensation and Benefits	\$ 96,944	\$ 140,076
Accounts Payable, Accrued Expenses and Other Liabilities	16,873	17,354
Deferred Rent Liability	17,042	16,353
Amount Due Pursuant to Tax Receivable Agreement	2,857	964
Taxes Payable	2,413	1,527
Deferred Revenue	382	786
<b>Total Liabilities</b>	<u>136,511</u>	<u>177,060</u>
<b>Commitments and Contingencies</b>		
<b>Redeemable Non-Controlling Interests</b>	—	421,976
<b>Equity (Deficit)</b>		
Class A Common Stock, par value \$0.01 per share (3,000,000,000 shares authorized; 18,599,454 and 18,003,272 issued at December 31, 2017 and 2016, respectively; 18,539,121 and 18,003,272 outstanding at December 31, 2017 and 2016, respectively)	186	180
Class B Common Stock, par value \$0.01 per share (1,000,000 shares authorized; 221 issued and outstanding at December 31, 2017; 271 issued and outstanding at December 31, 2016)	—	—
Additional Paid-In Capital	30,674	9,145
Accumulated Deficit	(185,991 )	(17,946 )
Accumulated Other Comprehensive Income	155	61
Treasury Stock at Cost (60,333 and 0 shares at December 31, 2017 and December 31, 2016, respectively)	(2,302 )	—
<b>Total PJT Partners Inc. Equity (Deficit)</b>	<u>(157,278 )</u>	<u>(8,560 )</u>
<b>Non-Controlling Interests</b>	<u>579,732</u>	<u>—</u>
<b>Total Equity (Deficit)</b>	<u>422,454</u>	<u>(8,560 )</u>
<b>Total Liabilities, Redeemable Non-Controlling Interests and Equity (Deficit)</b>	<u>\$ 558,965</u>	<u>\$ 590,476</u>

See notes to consolidated and combined financial statements.



**PJT Partners Inc.**  
**Consolidated and Combined Statements of Operations**  
(Dollars in Thousands, Except Share and Per Share Data)

	Year Ended December 31,		
	2017	2016	2015
<b>Revenues</b>			
Advisory Fees	\$ 386,263	\$ 377,610	\$ 286,014
Placement Fees	102,785	114,968	114,058
Interest Income and Other	10,234	6,852	5,866
<b>Total Revenues</b>	<b>499,282</b>	<b>499,430</b>	<b>405,938</b>
<b>Expenses</b>			
Compensation and Benefits	391,514	381,000	315,195
Occupancy and Related	26,889	25,815	32,682
Travel and Related	13,617	11,480	14,082
Professional Fees	19,276	18,925	19,814
Communications and Information Services	10,770	8,875	7,622
Depreciation and Amortization	8,143	14,026	14,872
Other Expenses	19,019	24,809	7,607
<b>Total Expenses</b>	<b>489,228</b>	<b>484,930</b>	<b>411,874</b>
<b>Income (Loss) Before Provision for Taxes</b>	<b>10,054</b>	<b>14,500</b>	<b>(5,936)</b>
<b>Provision for Taxes</b>	<b>38,380</b>	<b>9,392</b>	<b>239</b>
<b>Net Income (Loss)</b>	<b>(28,326)</b>	<b>5,108</b>	<b>(6,175)</b>
<b>Net Income (Loss) Attributable to Non-Controlling Interests</b>	<b>4,228</b>	<b>8,142</b>	<b>(13,751)</b>
<b>Net Income (Loss) Attributable to PJT Partners Inc.</b>	<b>\$ (32,554)</b>	<b>\$ (3,034)</b>	<b>\$ 7,576</b>
<b>Net Loss Per Share of Class A Common Stock — Basic and Diluted</b>	<b>\$ (1.73)</b>	<b>\$ (0.17)</b>	
<b>Weighted-Average Shares of Class A Common Stock Outstanding — Basic and Diluted</b>	<b>18,858,010</b>	<b>18,292,717</b>	
<b>Revenues Earned from Affiliates</b>			
Advisory Fees	\$ —	\$ —	\$ 4,220
Placement Fees	\$ —	\$ —	\$ 14,329
			<b>October 1, 2015 through December 31, 2015</b>
<b>Net Loss</b>			<b>\$ (24,935)</b>
<b>Net Loss Attributable to Redeemable Non-Controlling Interests</b>			<b>(13,751)</b>
<b>Net Loss Attributable to PJT Partners Inc.</b>			<b>\$ (11,184)</b>
<b>Net Loss Per Share of Class A Common Stock — Basic and Diluted</b>			<b>\$ (0.61)</b>
<b>Weighted-Average Shares of Class A Common Stock Outstanding — Basic and Diluted</b>			<b>18,258,174</b>

See notes to consolidated and combined financial statements.

**PJT Partners Inc.**  
**Consolidated and Combined Statements of Comprehensive Income (Loss)**  
**(Dollars in Thousands)**

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net Income (Loss)	\$ (28,326)	\$ 5,108	\$ (6,175)
Other Comprehensive Income, Net of Tax — Currency Translation Adjustment	217	252	622
Comprehensive Income (Loss)	(28,109)	5,360	(5,553)
Less:			
Comprehensive Income (Loss) Attributable to Non-Controlling Interests	4,351	8,285	(6)
Comprehensive Loss Attributable to PJT Partners Inc.	<u>\$ (32,460)</u>	<u>\$ (2,925)</u>	<u>\$ (5,547)</u>

See notes to consolidated and combined financial statements.

**PJT Partners Inc.**  
**Consolidated and Combined Statements of Changes in Equity (Deficit)**  
(Dollars in Thousands, Except Share Data)

	Shares					Accumulated				Redeemable
	Class A Common Stock	Class B Common Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Former Parent Company Investment	Total	Non- Controlling Interests
Balance at December 31, 2014	—	—	\$ —	\$ —	\$ —	\$ —	\$ 1,010	\$ 331,310	\$ 332,320	\$ —
Net Income	—	—	—	—	—	—	—	18,760	18,760	—
Currency Translation Adjustment	—	—	—	—	—	—	635	—	635	—
Net Decrease in Former Parent Company Investment	—	—	—	—	—	—	—	(95,530)	(95,530)	—
Balance Before Spin-Off	—	—	—	—	—	—	1,645	254,540	256,185	—
Settlement of Due from Blackstone Balances	—	—	—	—	24,002	—	—	—	24,002	—
Establishment of Deferred Tax Asset Related to Reorganization	—	—	—	—	62,267	—	—	—	62,267	—
Tax Distributions	—	—	—	—	—	—	—	—	—	(4,663)
Forfeiture Liability for Equity Awards	—	—	—	—	(1,319)	—	—	—	(1,319)	—
Net Loss	—	—	—	—	—	(11,184)	—	—	(11,184)	(13,751)
Currency Translation Adjustment	—	—	—	—	—	—	(13)	—	(13)	—
Reorganization of Equity Structure	—	—	—	—	146,227	—	(1,680)	(254,540)	(109,993)	119,858
Issuance of Class A Common Stock	17,966,456	—	180	—	—	—	—	—	180	—
Issuance of Class B Common Stock	—	300	—	—	—	—	—	—	—	—
Equity-Based Compensation	—	—	—	—	11,782	—	—	—	11,782	8,589
Adjustment of Redeemable Non-Controlling Interests to Redemption Value	—	—	—	—	(199,822)	—	—	—	(199,822)	199,822
Other	—	—	—	—	(5)	—	—	—	(5)	—
Balance at December 31, 2015	17,966,456	300	\$ 180	\$ —	\$ 43,132	\$ (11,184)	\$ (48)	\$ —	\$ 32,080	\$ 309,855

(continued)

See notes to consolidated and combined financial statements.

**PJT Partners Inc.**  
**Consolidated and Combined Statements of Changes in Equity (Deficit)**  
(Dollars in Thousands, Except Share Data)

	Shares								
	Class A Common Stock	Class B Common Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total	Redeemable Non- Controlling Interests
<b>Balance at December 31, 2015</b>	17,966,456	300	\$ 180	\$ —	\$ 43,132	\$ (11,184)	\$ (48)	\$ 32,080	\$ 309,855
Net Income (Loss)	—	—	—	—	—	(3,034)	—	(3,034)	8,142
Currency Translation Adjustment	—	—	—	—	—	—	109	109	143
Dividends	—	—	—	—	—	(3,728)	—	(3,728)	—
Tax Distributions	—	—	—	—	—	—	—	—	(12,381)
Non-Cash Contributions from Former Parent	—	—	—	—	8,566	—	—	8,566	—
Equity-Based Compensation	—	—	—	—	50,510	—	—	50,510	38,500
Forfeiture Liability for Equity Awards	—	—	—	—	804	—	—	804	—
Net Share Settlement	—	—	—	—	(230)	—	—	(230)	(36)
Issuance of Shares of Class A Common Stock	36,816	—	—	—	—	—	—	—	—
Issuance of Shares of Class B Common Stock	—	7	—	—	(8,933)	—	—	(8,933)	8,933
Forfeitures of Shares of Class B Common Stock	—	(3)	—	—	1,511	—	—	1,511	(1,511)
Cash-Settled Exchanges of Partnership Units	—	(33)	—	—	170	—	—	170	(16,054)
Adjustment of Redeemable Non-Controlling Interests to Redemption Value	—	—	—	—	(86,385)	—	—	(86,385)	86,385
<b>Balance at December 31, 2016</b>	<u>18,003,272</u>	<u>271</u>	<u>\$ 180</u>	<u>\$ —</u>	<u>\$ 9,145</u>	<u>\$ (17,946)</u>	<u>\$ 61</u>	<u>\$ (8,560)</u>	<u>\$ 421,976</u>

(continued)

See notes to consolidated and combined financial statements.

**PJT Partners Inc.**  
**Consolidated and Combined Statements of Changes in Equity (Deficit)**  
(Dollars in Thousands, Except Share Data)

	Shares			Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Non- Controlling Interests	Total	Redeemable Non- Controlling Interests
	Class A Common Stock	Class B Common Stock	Treasury Stock									
<b>Balance at December 31, 2016</b>	18,003,272	271	—	\$ 180	\$ —	\$ 9,145	\$ (17,946)	\$ 61	\$ —	\$ —	\$ (8,560)	\$ 421,976
Net Income (Loss)	—	—	—	—	—	—	(32,554)	—	—	9,081	(23,473)	(4,853)
Currency Translation Adjustment	—	—	—	—	—	—	—	94	—	119	213	4
Dividends	—	—	—	—	—	—	(3,796)	—	—	—	(3,796)	—
Tax Distributions	—	—	—	—	—	—	—	—	—	(4,734)	(4,734)	(19,125)
Equity-Based Compensation	—	—	—	—	—	72,409	—	—	—	10,921	83,330	32,598
Forfeiture Liability for Equity Awards	—	—	—	—	—	152	—	—	—	—	152	—
Net Share Settlement Deliveries of Vested Shares of Class A Common Stock	596,182	—	—	6	—	(6)	—	—	—	—	—	—
Issuance of Shares of Class B Common Stock	—	14	—	—	—	(7,344)	—	—	—	4,555	(2,789)	2,789
Forfeitures of Shares of Class B Common Stock	—	(19)	—	—	—	10,274	—	—	—	(8,335)	1,939	(1,939)
Cash-Settled Exchanges of Partnership Units	—	(45)	—	—	—	609	—	—	—	(6,147)	(5,538)	(39,364)
Treasury Stock Purchases	—	—	(60,333)	—	—	—	—	—	(2,302)	—	(2,302)	—
Adjustment of Redeemable Non-Controlling Interests to Redemption Value	—	—	—	—	—	(50,526)	(131,695)	—	—	—	(182,221)	182,221
Reclassification of Redeemable Non-Controlling Interests to Non-Controlling Interests	—	—	—	—	—	—	—	—	—	574,272	574,272	(574,272)
<b>Balance at December 31, 2017</b>	<u>18,599,454</u>	<u>221</u>	<u>(60,333)</u>	<u>\$ 186</u>	<u>\$ —</u>	<u>\$ 30,674</u>	<u>\$ (185,991)</u>	<u>\$ 155</u>	<u>\$ (2,302)</u>	<u>\$ 579,732</u>	<u>\$ 422,454</u>	<u>\$ —</u>

See notes to consolidated and combined financial statements.

**PJT Partners Inc.**  
**Consolidated and Combined Statements of Cash Flows**  
(Dollars in Thousands)

	Year Ended December 31,		
	2017	2016	2015
<b>Operating Activities</b>			
Net Income (Loss)	\$ (28,326 )	\$ 5,108	\$ (6,175 )
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities			
Equity-Based Compensation Expense	115,928	89,010	38,614
Depreciation and Amortization Expense	8,143	14,026	14,760
Bad Debt Expense (Recovery)	624	4,132	(2,260 )
Foreign Currency Transaction (Gains) Losses	(1,538 )	710	—
Deferred Taxes	30,961	2,293	—
Gain on Reversal of Amount Due Pursuant to Tax Receivable Agreement	(1,561 )	—	—
Other	155	—	834
Cash Flows Due to Changes in Operating Assets and Liabilities			
Accounts Receivable	41,179	(64,853 )	(4,517 )
Receivable from Affiliates	—	—	28,464
Due from Blackstone	—	—	35,042
Deferred Tax Assets	—	—	(66,090 )
Other Assets	(8,700 )	(429 )	(12,126 )
Accrued Compensation and Benefits	(46,098 )	63,160	53,146
Accounts Payable, Accrued Expenses and Other Liabilities	(322 )	(1,119 )	20,556
Deferred Rent Liability	324	4,604	12,414
Deferred Tax Liability	—	—	106
Taxes Payable	867	(145 )	512
Deferred Revenue	(421 )	354	(1,097 )
Net Cash Provided by Operating Activities	111,215	116,851	112,183
<b>Investing Activities</b>			
Note Issued to Employee	—	—	(550 )
Proceeds from Repayment of Note Issued to Employee	—	538	—
Cash from Acquisition of PJT Capital LP	—	—	12,653
Purchases of Investments	(57,163 )	—	—
Maturities of Investments	19,988	—	—
Purchases of Intangible Assets	—	—	(1,337 )
Purchases of Furniture, Equipment and Leasehold Improvements	(1,062 )	(13,088 )	(34,582 )
Dispositions of Furniture, Equipment and Leasehold Improvements	—	—	457
Change in Restricted Cash	—	757	(827 )
Net Cash Used in Investing Activities	(38,237 )	(11,793 )	(24,186 )

(continued)

See notes to consolidated and combined financial statements.

**PJT Partners Inc.**  
**Consolidated and Combined Statements of Cash Flows**  
(Dollars in Thousands)

	Year Ended December 31,		
	2017	2016	2015
<b>Financing Activities</b>			
Dividends	\$ (3,796 )	\$ (3,728 )	\$ —
Tax Distributions	(23,859 )	(12,381 )	(4,663 )
Contributions from Former Parent	—	—	49,371
Distribution to Former Parent	—	—	(88,895 )
Employee Taxes Paid for Shares Withheld	(4,074 )	(266 )	—
Cash-Settled Exchanges of Partnership Units	(45,511 )	(16,054 )	—
Treasury Stock Purchases	(2,302 )	—	—
Principal Payments on Capital Lease Obligations	(97 )	(88 )	(21 )
Net Cash Used in Financing Activities	(79,639 )	(32,517 )	(44,208 )
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(151 )	(2,432 )	—
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(6,812 )	70,109	43,789
Cash and Cash Equivalents, Beginning of Period	152,431	82,322	38,533
Cash and Cash Equivalents, End of Period	<u>\$ 145,619</u>	<u>\$ 152,431</u>	<u>\$ 82,322</u>
<b>Supplemental Disclosure of Cash Flows Information</b>			
Payments for Income Taxes, including those to Former Parent, Net of Refunds Received	<u>\$ 15,106</u>	<u>\$ 6,813</u>	<u>\$ 3,518</u>
<b>Supplemental Disclosure of Significant Non-Cash Activities</b>			
Non-Cash Contributions from Former Parent	\$ —	\$ 8,566	\$ —
Acquisition of PJT Capital LP			
Accounts Receivable	—	—	(1,170 )
Furniture, Equipment and Leasehold Improvements, Net	—	—	(334 )
Other Assets	—	—	(362 )
Intangible Assets	—	—	(13,300 )
Goodwill	—	3,483	(6,896 )
Deferred Tax Asset	—	(3,483 )	—
Accrued Compensation and Benefits	—	—	29,424
Accounts Payable, Accrued Expenses and Other Liabilities	—	—	4,626
Taxes Payable	—	—	665
Reorganization and Separation Adjustments			
Accounts Receivable	—	—	1,281
Receivable from Affiliates	—	—	(16,302 )
Due from Blackstone	—	—	1,475
Furniture, Equipment and Leasehold Improvements, Net	—	—	4,258
Other Assets	—	—	70
Accrued Compensation and Benefits	—	—	(10,527 )
Accounts Payable, Accrued Expenses and Other Liabilities	—	—	(445 )
Taxes Payable	—	—	433
Accumulated Other Comprehensive Income	—	—	(1,680 )
Furniture, Equipment and Leasehold Improvements, Net Included in Accounts Payable, Accrued Expenses and Other Liabilities	—	—	(7,296 )

See notes to consolidated and combined financial statements.

**PJT Partners Inc.**  
**Notes to Consolidated and Combined Financial Statements**  
**(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)**

**1. ORGANIZATION**

PJT Partners Inc. and its consolidated subsidiaries (the “Company” or “PJT Partners”) delivers a wide array of strategic advisory, restructuring and special situations and private fund advisory and placement services to corporations, financial sponsors, institutional investors and governments around the world. The Company offers a unique portfolio of advisory services designed to help clients achieve their strategic objectives. Also, through Park Hill Group, the Company provides private fund advisory and placement services for alternative investment managers, including private equity funds, real estate funds and hedge funds.

On October 1, 2015, The Blackstone Group L.P. (“Blackstone” or the “former Parent”) distributed on a pro rata basis to its common unitholders all of the issued and outstanding shares of Class A common stock of PJT Partners Inc. held by it. This pro rata distribution is referred to as the “Distribution.” The separation of the PJT Partners business from Blackstone and related transactions, including the Distribution, the internal reorganization that preceded the Distribution and the acquisition by PJT Partners of PJT Capital LP (together with its general partner and their respective subsidiaries, “PJT Capital”) that occurred substantially concurrently with the Distribution, is referred to as the “spin-off.”

As the sole general partner of PJT Partners Holdings LP, PJT Partners Inc. operates and controls all of the business and affairs and consolidates the financial results of PJT Partners Holdings LP and its operating subsidiaries. The Company operates through the following subsidiaries: PJT Partners LP, Park Hill Group LLC, PJT Partners (UK) Limited and PJT Partners (HK) Limited.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Company prepared the accompanying consolidated and combined financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

The Company did not operate as an independent, stand-alone entity for all periods included in these consolidated and combined financial statements. Prior to the spin-off on October 1, 2015, the Company’s operations were included in Blackstone’s results as they were historically managed as part of Blackstone, in conformity with GAAP. For periods prior to October 1, 2015, the accompanying consolidated and combined financial statements were prepared on a stand-alone basis and were derived from the consolidated financial statements and accounting records of Blackstone. Additionally, prior to October 1, 2015, Blackstone’s net investment in PJT Partners was shown as Former Parent Company Investment in lieu of Stockholders’ Equity in the consolidated and combined financial statements.

Intercompany transactions have been eliminated for all periods presented.

The Consolidated and Combined Statements of Operations reflect intercompany expense allocations made to the Company by Blackstone for certain corporate functions and for shared services provided by Blackstone prior to October 1, 2015. Where possible, these allocations were made on a specific identification basis and, in other cases, these expenses were allocated by Blackstone based on a pro rata basis of headcount, usage or some other basis depending on the nature of the allocated cost. Expenses without a specific consumption based indicator were allocated based on revenues adjusted for factors such as the size and complexity of the business. See Note 13. “Commitments and Contingencies—Transactions and Agreements with Blackstone, Corporate Allocations” for further information on expenses allocated by Blackstone.



**PJT Partners Inc.**  
**Notes to Consolidated and Combined Financial Statements – Continued**  
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Both the Company and Blackstone consider the basis on which the expenses were previously allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by the Company during the periods presented prior to October 1, 2015. The allocations may not, however, reflect the expense the Company would have incurred as an independent, publicly traded company for the periods presented. Actual costs that may have been incurred if PJT Partners had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, which functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. Following the spin-off, the Company has been performing these functions using its own resources or purchased services.

#### **Use of Estimates**

The preparation of consolidated and combined financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period in which they are determined to be necessary. In preparing the consolidated and combined financial statements, management makes estimates regarding the adequacy of the allowance for doubtful accounts, evaluation of goodwill and intangible assets, realization of deferred taxes, measurement of equity-based compensation and other matters that affect the reported amounts and disclosures in the consolidated and combined financial statements.

#### **Business Combinations**

The purchase price allocations for acquisitions are based on estimates of the fair value of tangible and intangible assets acquired and liabilities assumed. The Company engages independent valuation specialists, when necessary, to assist with purchase price allocations and uses recognized valuation techniques, including the income and market approaches, to determine fair value. Management makes estimates and assumptions in determining purchase price allocations and valuation analyses, which may involve significant unobservable inputs. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed is allocated to goodwill. In certain circumstances, the allocations of the purchase price are based upon preliminary estimates and assumptions. Accordingly, the allocations may be subject to revision when the Company receives final information, including appraisals and other analyses.

Assets acquired and liabilities assumed in business combinations are recorded in the Company's Consolidated and Combined Statements of Financial Condition as of the respective acquisition dates based upon their estimated fair values at such dates. The results of operations of businesses acquired by the Company are included in the Company's Consolidated and Combined Statements of Operations from their respective dates of acquisition.

#### **Revenue Recognition**

Revenues consist of Advisory Fees, Placement Fees and Interest Income and Other. Fees are recognized when (a) there is evidence of an arrangement with a client, (b) agreed upon services have been provided, (c) fees are fixed or determinable, and (d) collection is reasonably assured.

*Advisory Fees* – Advisory Fees typically consist of retainer and transaction-based fee arrangements related to strategic advisory services, restructuring and special situations services and secondary advisory services provided by Park Hill Group. Advisory retainer and transaction-based fees are recognized when services for the transactions are complete, in accordance with terms set forth in individual agreements. The amount and timing of the fees paid vary by the type of engagement. The majority of the Advisory Fees are dependent on the successful completion of a transaction.

*Placement Fees* – Placement Fees consist of fund placement services for alternative investment funds and private placements for corporate clients. Placement fees earned for services to corporate clients are recognized as earned upon successful completion of the transaction. Fund placement fees earned for services to alternative asset managers are typically recognized as earned upon acceptance by a fund of capital or capital commitments (referred to as a "closing"), in accordance with terms set forth in individual agreements. For commitment based fees, revenue

**PJT Partners Inc.**  
**Notes to Consolidated and Combined Financial Statements – Continued**  
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is recognized as commitments are accepted. Fees for such closed-end fund arrangements are generally paid in quarterly installments over three or four years and interest is charged to the outstanding balance at an agreed upon rate (typically the London Interbank Offered Rate (“LIBOR”) plus a market-based margin). For funds with multiple closings, each closing is treated as a separate performance obligation. As a result, revenue is recognized at each closing as the performance obligations are fulfilled. For open-end fund structures, placement fees are typically calculated as a percentage of a placed investor’s month-end net asset value. Typically, fees for such open-end fund structures are earned over a 48 month period. For these arrangements, revenue is recognized monthly as the amounts become fixed or determinable.

The Company may receive non-refundable up-front fees upon execution of agreements with clients to provide placement services, which are recorded as revenues in the period over which services are provided.

Accrued but unpaid Advisory and Placement Fees are included in Accounts Receivable in the Consolidated and Combined Statements of Financial Condition.

*Interest Income and Other* – Interest Income and Other represents interest typically earned on Cash and Cash Equivalents, investments in U.S. Treasury securities and outstanding placement fees receivable; miscellaneous income; foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars; sublease income; and the adjustment related to the Amount Due Pursuant to Tax Receivable Agreement. Interest on placement fees receivable is earned from the time revenue is recognized and is calculated based upon LIBOR plus an additional percentage as mutually agreed upon with the receivable counterparty. Interest receivable is included in Accounts Receivable in the Consolidated and Combined Statements of Financial Condition.

*Deferred Revenue* – Deferred Revenue represents the receipt of Advisory and Placement Fees prior to such amounts being earned and is recognized using the straight-line method over the period that it is earned.

#### **Fair Value of Financial Instruments**

The carrying value of financial instruments approximates fair value. Financial instruments held by the Company include Cash Equivalents, Investments and Accounts Receivable.

GAAP establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

- Level I – Quoted prices are available in active markets for identical financial instruments as of the reporting date.
- Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level III – Pricing inputs are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement.

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**Notes to Consolidated and Combined Financial Statements – Continued**  
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In making an assessment of the fair value hierarchy classification of investments in U.S. Treasury securities, the Company considers the amount of trading activity, observability of pricing inputs as well as whether the securities are of the most recent issuance of that security with the same maturity (referred to as “on-the-run”, which is the most liquid version of the maturity band).

**Cash, Cash Equivalents and Investments**

Cash and Cash Equivalents include short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less from the date of purchase. Cash is primarily held at three major U.S. financial institutions.

U.S. Treasury securities with original maturities greater than three months when purchased are classified as Investments on the Consolidated and Combined Statements of Financial Condition. These securities are recorded at fair value using broker quotes, reflecting inputs from auction yields.

**Accounts Receivable**

Accounts Receivable includes placement fees, interest and advisory fee receivables. Accounts receivable are assessed periodically for collectibility and an allowance is recognized for doubtful accounts, if required.

Included in Accounts Receivable are long-term receivables which relate to placement fees that are generally paid in installments over a period of three to four years. Additional disclosures regarding Accounts Receivable are discussed in Note 4. “Accounts Receivable and Allowance for Doubtful Accounts.” The Company charges interest on long-term receivables based upon LIBOR plus an additional percentage as mutually agreed upon with the receivable counterparty.

The Company is reimbursed by certain clients for reasonable travel, telephone, postage and other out-of-pocket expenses incurred in relation to services provided. Expenses that are directly related to such transactions and billable to clients are presented net in the Consolidated and Combined Statements of Operations. Reimbursable expenses that are outstanding are reported in Accounts Receivable in the Consolidated and Combined Statements of Financial Condition.

**Allowance for Doubtful Accounts**

The Company performs periodic reviews of outstanding accounts receivable and its clients’ financial condition. The Company generally does not require collateral and establishes an allowance for doubtful accounts based upon factors such as historical experience, credit quality, age of the accounts receivable balances and the current economic conditions that may affect a counterparty’s ability to pay such amounts owed to the Company.

After concluding that a reserved accounts receivable balance is no longer collectible, the Company will reduce both the gross receivable and the allowance for doubtful accounts. This is determined based on several factors, including the age of the accounts receivable balance and the creditworthiness of the counterparty.

**Goodwill and Intangible Assets**

Goodwill recorded arose from the contribution and reorganization of Blackstone’s predecessor entities in 2007 immediately prior to Blackstone’s initial public offering (“IPO”) as well as from the acquisition of PJT Capital LP that occurred on October 1, 2015. Goodwill is reviewed for impairment at least annually utilizing a qualitative or quantitative approach and more frequently if circumstances indicate impairment may have occurred. Goodwill is tested for impairment at the reporting unit level. A reporting unit is a component of an operating segment for which discrete financial information is available that is regularly reviewed by management. The impairment testing for goodwill under the qualitative approach is based first on a qualitative assessment to determine if it is more likely than not that the fair value of the Company’s reporting unit is less than its respective carrying value. If it is determined that it is more likely than not that the reporting unit’s fair value is less than its carrying value or when the quantitative approach is used, a quantitative assessment is performed to (a) calculate the fair value of the reporting unit and compare it to its carrying value, and (b) if the carrying value exceeds its fair value, to measure an impairment loss.

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The Company's intangible assets are derived from (a) customer relationships that were established as part of Blackstone's IPO, (b) the value of the trade name as part of the acquisition of PJT Capital LP, (c) the open customer backlog acquired as part of the PJT Capital LP acquisition, and (d) the purchase of certain customer mandates from Blackstone. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives of one to fifteen years, reflecting the average time over which such intangible assets are expected to contribute to cash flows. Amortization expense is included in Depreciation and Amortization in the Consolidated and Combined Statements of Operations. The Company does not hold any indefinite-lived intangible assets. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

**Furniture, Equipment and Leasehold Improvements**

Furniture, Equipment and Leasehold Improvements, Net consist primarily of leasehold improvements, furniture, fixtures and equipment and office equipment and are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the assets' estimated useful economic lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, generally ten to fifteen years, and five to seven years for other fixed assets. The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Depreciation and amortization are included in Depreciation and Amortization in the Consolidated and Combined Statements of Operations.

Fixed assets held under capital leases are recorded at the present value of the future minimum lease payments, less accumulated depreciation and amortization in Furniture, Equipment and Leasehold Improvements, Net in the Consolidated and Combined Statements of Financial Condition. Depreciation and amortization are calculated using the straight-line method over the life of the lease and are included in Depreciation and Amortization in the Consolidated and Combined Statements of Operations. The capital lease obligations are included in Accounts Payable, Accrued Expenses and Other Liabilities in the Consolidated and Combined Statements of Financial Condition.

**Foreign Currency**

In the normal course of business, the Company may enter into transactions not denominated in U.S. dollars. Foreign exchange gains and losses arising on such transactions are recorded in Interest Income and Other in the Consolidated and Combined Statements of Operations. In addition, the Company consolidates a number of businesses that have a non-U.S. dollar functional currency. Non-U.S. dollar denominated assets and liabilities are translated to U.S. dollars at the exchange rate prevailing at the reporting date and income, expenses, gains and losses are translated at the prevailing monthly average exchange rate on the dates they were recorded. Cumulative translation adjustments arising from the translation of non-U.S. dollar denominated operations are recorded in Other Comprehensive Income (Loss).

**Comprehensive Income (Loss)**

Comprehensive Income consists of Net Income (Loss) and Other Comprehensive Income (Loss). The Company's Other Comprehensive Income (Loss) is comprised of foreign currency cumulative translation adjustments.

**Non-Controlling Interests**

Prior to October 1, 2017, the ownership interests of holders (other than PJT Partners Inc.) of the common units of partnership interest in PJT Partners Holdings LP ("Partnership Units") were considered redeemable non-controlling interests. Redeemable Non-Controlling Interests were presented separately from Equity in the Consolidated and Combined Statements of Financial Condition and the portion of net income (loss) attributable to the redeemable non-controlling interests was presented separately in the Consolidated and Combined Statements of Operations.

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On October 1, 2017, certain of the restrictive covenants entered into in connection with the spin-off expired. Previously, the ability to settle exchanges of Partnership Units in shares of the Company's Class A common stock was not entirely within the Company's control. Consequently, the value of these interests has been reclassified from Redeemable Non-Controlling Interests to Non-Controlling Interests at their redemption value as of October 1, 2017. The portion of net income (loss) attributable to the non-controlling interests is presented separately in the Consolidated and Combined Statements of Operations.

The Company previously elected to recognize any changes in the redemption value immediately as they occurred and adjusted the carrying amount of the redeemable non-controlling interests to its redemption value at the end of each reporting period. Reductions in the carrying amount of the redeemable non-controlling interests were only recorded if the Company had previously recorded increases in the carrying amount of the redeemable non-controlling interests. The change in redemption value was recognized in Redeemable Non-Controlling Interests with a corresponding adjustment to permanent equity in the Consolidated and Combined Statements of Financial Condition.

#### **Repurchases of Common Stock**

Shares of the Company's Class A common stock may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The Company may structure such repurchases as either a purchase of treasury stock or a retirement of shares. The Company records its purchases of treasury stock at cost as a separate component of stockholders' equity. The Company may re-issue treasury stock, at average cost.

#### **Compensation and Benefits**

Compensation and Benefits consists of (a) employee compensation, comprising salary and cash bonus, and benefits paid and payable to employees and partners; and (b) equity-based compensation associated with the grants of equity-based awards to employees and partners. Compensation cost relating to the issuance of equity-based awards with a requisite service period to partners and employees is measured at fair value at the grant date, taking into consideration expected forfeitures, and expensed over the vesting period on a straight-line basis. Equity-based awards that do not require future service are expensed immediately. Cash settled equity-based awards are classified as liabilities and are remeasured at the end of each reporting period.

Prior to October 1, 2015, certain of the Company's employees participated in Blackstone's equity-based compensation plans. Equity-based compensation expense related to those plans was based upon specific identification of cost related to the Company's employees. The Company also received allocated equity-based compensation expense associated with Blackstone's employees of central support functions.

In certain instances, the Company may grant equity-based awards containing both a service and a market condition. The effect of the market condition is reflected in the grant date fair value of the award. Compensation cost is recognized for an award with a market condition over the requisite service period, provided that the requisite service period is completed, irrespective of whether the market condition is satisfied. If a recipient terminates employment before completion of the requisite service period, any compensation cost previously recognized is reversed unless the market condition has been satisfied prior to termination. If the market condition has been satisfied during the vesting period, the remaining unrecognized compensation cost is accelerated.

At the Company's discretion, the Company may provide compensation to certain employees with repayment obligations. Such payments are recorded in Compensation and Benefits in the Consolidated and Combined Statements of Operations. The Company assesses the potential risk of forfeiture and likelihood of recouping amounts paid, and if deemed necessary, records a provision for forfeitures in the financial statements.

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**Notes to Consolidated and Combined Financial Statements – Continued**  
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**Income Taxes**

PJT Partners Inc. is a corporation subject to U.S. federal, state and local income taxes in jurisdictions where it does business. The Company's businesses generally operate as partnerships for U.S. federal and state purposes and as corporate entities in non-U.S. jurisdictions. In the U.S. federal and state jurisdictions, taxes related to income earned by these entities generally represent obligations of the individual members and partners. Prior to October 1, 2015, these taxes were not reflected in the Company's consolidated and combined financial statements.

The operating entities have generally been subject to New York City Unincorporated Business Tax ("UBT") and to entity-level income taxes imposed by non-U.S. jurisdictions, as applicable. These taxes have been reflected in the Company's consolidated and combined financial statements.

Prior to October 1, 2015, the Company's operations were included in the income tax returns of Blackstone's subsidiaries, except for certain entities that were classified as partnerships for U.S. tax purposes. These partnerships were subject to New York City UBT and certain other foreign, state and local taxes, as applicable.

In connection with the spin-off from Blackstone on October 1, 2015, PJT Partners Inc. became subject to U.S. corporate federal, state and local income tax on its allocable share of results of operations from the operating partnership (PJT Partners Holdings LP).

Current tax liabilities are recorded in Taxes Payable in the Consolidated and Combined Statements of Financial Condition.

The Company uses the asset and liability method of accounting for deferred tax assets and liabilities. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases, using the enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company records uncertain tax positions on the basis of a two-step process: (a) a determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position, and (b) those tax positions that meet the recognition threshold described in the first step are recorded based on the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with the tax authority.

The effects of tax adjustments and settlements with taxing authorities are presented in the Company's consolidated and combined financial statements in the period to which they relate as if the Company were a separate tax filer in those years.

The Company recognizes accrued interest and penalties related to uncertain tax positions in Other Expenses in the Consolidated and Combined Statements of Operations, as applicable.

Unrecognized tax benefits are recorded in Taxes Payable in the Consolidated and Combined Statements of Financial Condition, as applicable.

On December 22, 2017, the United States Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 118, which allows companies to report the income tax effects of the Tax Cuts and Jobs Act (the "Tax Legislation") as a provisional amount based on a reasonable estimate, which would be subject to adjustment during a reasonable measurement period, not to exceed twelve months, until the accounting and analysis required under GAAP is complete. The Company continues to evaluate its provisional estimate as it relates to (a) the measurement of deferred tax assets and liabilities subject to the income tax rate change from 35% to 21%, including the state tax impact on these items; (b) potential changes in interpretations of the Tax Legislation; and (c) changes in interpretation of accounting standards for income taxes. As the Company finalizes the analysis of the impact of the Tax Legislation, additional adjustments may be recorded during the measurement period, which could be material. The Company will reflect measurement period adjustments, if any, in the period in which the adjustments are recognized.

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**Notes to Consolidated and Combined Financial Statements – Continued**  
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**Amount Due Pursuant to Tax Receivable Agreement**

Holders of Partnership Units (other than PJT Partners Inc.) may, subject to the terms and conditions set forth in the partnership agreement of PJT Partners Holdings LP, on a quarterly basis (subject to the terms of the exchange agreement), exchange their Partnership Units for cash or, at the Company's election, for shares of Class A common stock of PJT Partners Inc. on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. PJT Partners Holdings LP intends to make an election under Section 754 of the Internal Revenue Code effective for each taxable year in which an exchange of Partnership Units for cash or for shares of Class A common stock occurs, which is expected to result in increases to the tax basis of the assets of PJT Partners Holdings LP at the time of an exchange of Partnership Units. Stock-settled exchanges and certain of these cash-settled exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of PJT Partners Holdings LP. These increases in tax basis may reduce the amount of tax that PJT Partners Inc. would otherwise be required to pay in the future. These increases in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

The Company has entered into a tax receivable agreement with the holders of Partnership Units (other than PJT Partners Inc.) that provides for the payment by PJT Partners Inc. to exchanging holders of Partnership Units of 85% of the benefits, if any, that PJT Partners Inc. is deemed to realize as a result of the increases in tax basis related to such exchanges of Partnership Units and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of PJT Partners Inc. and not of PJT Partners Holdings LP. PJT Partners Inc. expects to benefit from the remaining 15% of cash tax savings, if any, in income tax it realizes.

For purposes of the tax receivable agreement, the cash tax savings in income tax is computed by comparing the actual income tax liability of PJT Partners Inc. (calculated with certain assumptions) to the amount of such taxes that PJT Partners Inc. would have been required to pay had there been no increase to the tax basis of the assets of PJT Partners Holdings LP as a result of the exchanges and had PJT Partners Inc. not entered into the tax receivable agreement. The term of the tax receivable agreement continues until all such tax benefits have been utilized or expired, unless PJT Partners Inc. exercises its right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement or PJT Partners Inc. breaches any of its material obligations under the tax receivable agreement in which case all obligations generally will be accelerated and due as if PJT Partners Inc. had exercised its right to terminate the tax receivable agreement.

The Company accounts for the effects of these increases in tax basis and associated payments under the tax receivable agreement arising from exchanges as follows:

- the Company records an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal, state and local tax rates at the date of the exchange;
- to the extent the Company estimates that it will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, the Company's expectation of future earnings, the Company reduces the deferred tax asset with a valuation allowance; and
- the Company records 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase to the Amount Due Pursuant to Tax Receivable Agreement and the remaining 15% of the estimated realizable tax benefit as an increase to Additional Paid-In Capital.

The effects of changes in estimates after the date of the redemption or exchange as well as subsequent changes in the enacted tax rates are included in net income.

**Net Income (Loss) Per Share of Class A Common Stock**

Prior to the spin-off from Blackstone, the Company's business was conducted through a number of Blackstone entities as to which there was no single holding entity. There was no single capital structure upon which to calculate historical net income (loss) per share. Accordingly, net income (loss) per share information has not been presented for historical periods prior to the spin-off.

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Basic Net Income (Loss) Per Share is computed using the weighted-average number of shares of Class A common stock outstanding; vested, undelivered restricted stock units (“RSUs”); and unvested RSUs that have met requisite service requirements

Diluted Net Income (Loss) Per Share is computed using the number of shares of Class A common stock included in the Basic Net Income (Loss) Per Share calculation, and if dilutive, the incremental common stock that the Company would issue upon the assumed vesting of RSUs using the treasury stock method.

#### **Contingencies and Litigation**

The Company records loss contingencies if (a) information available prior to issuance of the consolidated and combined financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the consolidated and combined financial statements, and (b) the amount of loss can be reasonably estimated. If one or both criteria for accrual are not met, but there is at least a reasonable possibility that a loss will occur, the Company does not record an accrual for a loss contingency but describes the contingency and provides detail, when possible, of the estimated potential loss or range of loss. If an estimate cannot be made, a statement to that effect is made. Costs incurred with defending matters are expensed as incurred. Accruals related to loss contingencies are recorded in Other Expenses in the Consolidated and Combined Statements of Operations.

#### **Insurance Reimbursements**

Receipts from insurance reimbursements up to the amount of the losses recognized are considered recoveries. These recoveries are accounted for when they are probable of receipt. Insurance recoveries are not recognized prior to the recognition of the related loss. Any receivable for insurance recoveries is recorded separately from the corresponding liability, and only if recovery is determined to be probable and reasonably estimable. Insurance reimbursements are recorded in Other Expenses in the Consolidated and Combined Statements of Operations.

#### **Recent Accounting Developments**

In June 2014, the Financial Accounting Standards Board (“FASB”) issued amended guidance on revenue from contracts with customers. The guidance requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The guidance introduces new qualitative and quantitative disclosure requirements about contracts with customers, including revenue and impairments recognized, disaggregation of revenue and information about contract balances and performance obligations. Information is required about significant judgments and changes in judgments in determining the timing of satisfaction of performance obligations and determining the transaction price and amounts allocated to performance obligations. Additional disclosures are required about assets recognized from the costs to obtain or fulfill a contract. The FASB approved a one-year deferral of the effective date of this guidance, such that it is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted for annual periods beginning after December 15, 2016.

Based on the Company’s evaluation of the guidance, advisory and placement fees for which payment is dependent on the closing of a transaction, a financing arrangement or some other defined outcome will be considered variable consideration. The guidance requires that revenue be recognized when it is probable that variable consideration will not be reversed in a future period. As a result, the recognition of revenue with respect to a portion of certain fees before the closing of a transaction or completion of some other defined outcome may be deferred to a future period. Additionally, the Company has concluded that reimbursable expenses incurred in connection with engagements will be recognized within their respective expense category and any expense reimbursements will be recognized in Interest Income and Other on the Consolidated and Combined Statements of Operations. The effect of the change in timing of revenue and expense recognition could be material to any given reporting period.



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The Company has adopted the standard using the modified retrospective approach as of January 1, 2018 which requires a cumulative effect adjustment upon adoption. The Company is finalizing its assessment of the cumulative effect adjustment, but expects that the adjustment will be primarily related to (a) recording certain reimbursable expenses on a gross basis under the new guidance, which are currently presented on a net basis; and (b) accounting for advisory revenues that were previously recognized in prior periods, which would have been deferred as of December 31, 2017 under the new revenue guidance. The Company will include the cumulative effect adjustment and the required enhanced disclosures beginning in its Quarterly Report on Form 10-Q for the quarter ending March 31, 2018.

In February 2016, the FASB issued new guidance regarding leases. The guidance requires lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases. Entities are also required to provide enhanced disclosure about leasing arrangements. The amendments retain lease classifications, distinguishing finance leases from operating leases, using criteria that are substantially similar for distinguishing capital leases from operating leases in previous guidance. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Adoption requires a modified retrospective approach. Based on the Company's initial evaluation, adoption on January 1, 2019 will result in the present value of the Company's lease commitments that have a term in excess of one year being recorded on the Company's Consolidated and Combined Statements of Financial Condition as a right-of-use asset with a corresponding liability. The Company's lease commitments, as discussed in Note 13. "Commitments and Contingencies—Commitments, Leases," primarily relate to office space. The lease-related assets will be amortized to expense over the life of the leases and the liability, and related interest expense, will be reduced as lease payments are made over the life of the lease. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated and combined financial statements.

In June 2016, the FASB issued guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated and combined financial statements.

In November 2016, the FASB issued guidance that requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted. Adoption requires a retrospective approach. The Company expects that adoption of this guidance on January 1, 2018 will not have a material impact on its Consolidated and Combined Statements of Cash Flows.

In January 2017, the FASB issued an update to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or businesses. This new guidance becomes effective for the Company in the first quarter of 2019 and is applied prospectively. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated and combined financial statements.

In January 2017, the FASB issued guidance intended to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The Company adopted this guidance as of its most recent annual goodwill impairment assessment and it did not have a material impact on its consolidated and combined financial statements.

In May 2017, the FASB issued updated guidance on modifications to share-based payment awards. The updated guidance requires entities to account for the effects of a modification to a share-based payment award unless the following are all the same immediately before and after the modification: (a) the fair value of the award, (b) the

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vesting conditions of the award, and (c) the classification of the award as an equity instrument or a liability instrument. This new guidance is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The new guidance is to be applied on a prospective basis. The Company will adopt this standard beginning on January 1, 2018, which would be applied to future modifications of share-based payment awards, as applicable.

### **3. BUSINESS COMBINATIONS**

#### **Acquisition of PJT Capital LP**

On October 1, 2015, PJT Partners Holdings LP acquired all of the outstanding equity interests in PJT Capital LP. The effect of the transaction was a transfer of PJT Capital LP interests to PJT Partners Holdings LP in exchange for unvested PJT Partners Holdings LP units. No other consideration was transferred. This transaction was accounted for as a business combination and PJT Capital LP's operating results have been included in the Company's financial statements from the date of the transaction. The Company incurred \$0.1 million of costs related to the acquisition, which were included in Professional Fees in the Consolidated and Combined Statement of Operations for the year ended December 31, 2015.

The following table summarizes the final allocation of the purchase price for PJT Capital LP:

<b>Assets</b>	
Cash	\$ 12,653
Accounts Receivable	1,170
Furniture, Equipment and Leasehold Improvements	334
Other Assets	362
Intangible Assets	13,300
Deferred Tax Assets	3,483
Goodwill	3,413
Total Assets	<u>34,715</u>
<b>Liabilities</b>	
Accrued Compensation and Benefits	29,424
Accounts Payable, Accrued Expenses and Other Liabilities	4,626
Taxes Payable	665
Total Liabilities	<u>34,715</u>
<b>Net Assets Acquired</b>	<u><u>\$ —</u></u>

The excess of the purchase price over the fair value of the net assets acquired of \$3.4 million was recorded as goodwill. Goodwill included the in-place workforce, which allowed the Company to continue serving its existing client base, begin marketing to potential clients and avoid significant costs reproducing the workforce. The transaction did not result in goodwill for tax purposes.

The estimated fair value of the intangible assets acquired, which consisted of PJT Capital LP's backlog of client assignments that existed at the time of the acquisition and trade name was based, in part, on a valuation using an income approach or market approach and has been included in Intangible Assets, Net in the Consolidated and Combined Statements of Financial Condition. The estimated fair value ascribed to the identifiable intangible assets is amortized on a straight-line basis over the estimated useful lives of the assets over periods ranging between one and ten years.

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**Acquisition of Customer Mandates**

On October 1, 2015, PJT Partners (UK) Limited, a subsidiary of the Company, purchased certain open customer mandates and other assets from a subsidiary of its former Parent. This transaction was accounted for as an asset acquisition. There were no capitalized transaction costs and the total purchase price was \$1.5 million. The customer mandates acquired were recorded as intangible assets and were amortized over their estimated useful lives of 18 months. In connection with the transaction, the Company acquired \$1.3 million of customer mandates and \$0.2 million of other assets and liabilities, net.

**4. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Included in Accounts Receivable are long-term receivables of \$77.7 million and \$73.1 million as of December 31, 2017 and 2016, respectively, related to placement fees that are generally paid in installments over a period of three to four years. The carrying value of such long-term receivables approximates fair value. Long-term receivables are classified as Level II in the fair value hierarchy.

The Company does not have any long-term receivables on non-accrual status. Long-term receivables that were more than 90 days past due were \$2.5 million and \$2.7 million as of December 31, 2017 and 2016, respectively.

Changes in the allowance for doubtful accounts related to long-term receivables are presented below:

	Year Ended December 31,		
	2017	2016	2015
Balance, Beginning of Period	\$ —	\$ —	\$ 392
Bad Debt Recovery	—	—	(392)
Balance, End of Period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

**5. GOODWILL AND INTANGIBLE ASSETS**

Changes in the carrying value of goodwill consist of the following:

	December 31,	
	2017	2016
Balance, Beginning of Year	\$ 72,286	\$ 75,769
Measurement Period Adjustment (a)	—	(3,483)
Balance, End of Year	<u>\$ 72,286</u>	<u>\$ 72,286</u>

(a) During the year ended December 31, 2016, the Company recorded a \$3.5 million measurement period adjustment related to the acquisition of PJT Capital LP.

As of December 31, 2017 and 2016, the Company's assessment did not result in any impairment of goodwill.

Intangible Assets, Net consists of the following:

	December 31,	
	2017	2016
Finite-Lived Intangible Assets		
Customer Relationships	\$ 26,476	\$ 26,476
Trade Name	5,700	5,700
Client Mandates and Other	—	1,276
Total Intangible Assets	32,176	33,452
Accumulated Amortization	(19,881)	(18,739)
Intangible Assets, Net (a)	<u>\$ 12,295</u>	<u>\$ 14,713</u>

(a) Excludes fully amortized intangible assets.

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Changes in the Company's Intangible Assets, Net consist of the following:

	Year Ended December 31,		
	2017	2016	2015
Balance, Beginning of Year	\$ 14,713	\$ 23,646	\$ 19,797
Additions	—	—	14,805
Amortization Expense	(2,418)	(8,870)	(10,939)
Translation Adjustments	—	(63)	(17)
Balance, End of Year	<u>\$ 12,295</u>	<u>\$ 14,713</u>	<u>\$ 23,646</u>

At September 30, 2015, the Company performed an assessment of its intangible assets and determined that impairment indicators existed regarding certain customer relationship intangible assets established at the time of Blackstone's IPO. The Company concluded there were no future cash flows associated with these intangible assets; therefore, the fair value was zero. As a result, the Company recorded an impairment charge of \$6.0 million during the year ended December 31, 2015 to fully impair these intangible assets, which was included in Depreciation and Amortization in the Consolidated and Combined Statements of Operations. No such impairment was recorded during the years ended December 31, 2016 or 2017.

Amortization of Intangible Assets held at December 31, 2017 is expected to be \$2.3 million for the years ending December 31, 2018, 2019, 2020 and 2021; and \$1.4 million for the year ending December 31, 2022.

**6. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Furniture, Equipment and Leasehold Improvements, Net consists of the following:

	December 31,	
	2017	2016
Office Equipment	\$ 1,758	\$ 1,778
Leasehold Improvements	33,713	32,889
Furniture and Fixtures	11,886	11,364
Total Furniture, Equipment and Leasehold Improvements	47,357	46,031
Accumulated Depreciation	(13,568)	(7,876)
Furniture, Equipment and Leasehold Improvements, Net	<u>\$ 33,789</u>	<u>\$ 38,155</u>

Depreciation expense, including allocations from the former Parent for the periods presented before October 1, 2015, was \$5.7 million, \$5.2 million and \$3.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

**7. FAIR VALUE MEASUREMENTS**

The Company generally invests in U.S. Treasury securities with remaining maturities of less than twelve months. As of December 31, 2017 and 2016, the Company held investments in U.S. Treasury securities of \$37.1 million and \$50.0 million, respectively. As of December 31, 2017, investments in U.S. Treasury securities were included in Investments and as of December 31, 2016, \$50.0 million was included in Cash and Cash Equivalents in the Consolidated and Combined Statements of Financial Condition. U.S. Treasury securities with original maturities of greater than 90 days are included in Investments in the Consolidated and Combined Statements of Financial Condition.

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As of December 31, 2017 and 2016, all U.S. Treasury securities held by the Company were classified as Level II in the fair value hierarchy. During the years ended December 31, 2017, 2016 and 2015, there were no transfers from Level I to Level II related to U.S. Treasury securities that were initially acquired as on-the-run and classified as Level I, but subsequently transferred to Level II as a result of becoming off-the-run. There were also no transfers between Level I, Level II or Level III during the years ended December 31, 2017, 2016 and 2015.

**8. INCOME TAXES**

The Company's operations were included in Blackstone subsidiaries' U.S. federal, state and foreign tax returns for taxable periods ending before the Company's spin-off and separation from Blackstone on October 1, 2015. With respect to such taxable periods, the Company's income taxes were calculated on a separate tax return basis. For subsequent periods, the Company files tax returns as a stand-alone entity, and its deferred taxes and effective tax rates differ from those of the historical periods.

The Company's pretax income (loss) is associated with activities in domestic and international jurisdictions, as follows:

	Year Ended December 31,		
	2017	2016	2015
<b>Income (Loss) Before Provision for Taxes</b>			
Domestic	\$ 13,597	\$ 38,360	\$ 29,581
International	(3,543)	(23,860)	(35,517)
Total	<u>\$ 10,054</u>	<u>\$ 14,500</u>	<u>\$ (5,936)</u>

The Provision for Income Taxes consists of the following:

	Year Ended December 31,		
	2017	2016	2015
<b>Current</b>			
Federal Income Tax	\$ 5,083	\$ 4,131	\$ 50
State and Local Income Tax	1,749	2,777	3,576
Foreign Income Tax	587	191	331
	<u>7,419</u>	<u>7,099</u>	<u>3,957</u>
<b>Deferred</b>			
Federal Income Tax	28,607	2,376	(3,698)
State and Local Income Tax	2,354	(20)	(17)
Foreign Income Tax	—	(63)	(3)
	<u>30,961</u>	<u>2,293</u>	<u>(3,718)</u>
Provision for Taxes	<u>\$ 38,380</u>	<u>\$ 9,392</u>	<u>\$ 239</u>

The following table summarizes the Company's tax position:

	Year Ended December 31,		
	2017	2016	2015
Income (Loss) Before Provision for Taxes	\$ 10,054	\$ 14,500	\$ (5,936)
Provision for Taxes	\$ 38,380	\$ 9,392	\$ 239
Effective Income Tax Rate	381.7%	64.8%	-4.0%

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The following table reconciles the effective income tax rate to the U.S. federal statutory tax rate:

	Year Ended December 31,		
	2017	2016	2015
Expected Income Tax Expense (Benefit) at the Federal Statutory Rate	35.0 %	35.0 %	35.0 %
Remeasurement of Deferred Tax Assets Pursuant to Tax Legislation	246.0 %	—	—
Permanent Differences for Compensation	56.5 %	33.4 %	-24.9 %
Accrual to Blackstone Related to Employee Matters Agreement	10.4 %	9.9 %	—
Partnership (Income) Loss Not Subject to U.S. Corporate Income Taxes	-18.1 %	-21.2 %	54.2 %
Foreign Income Taxes	3.1 %	0.9 %	-4.9 %
State and Local Income Taxes, Net of Federal Benefit	27.8 %	14.0 %	-63.2 %
Return to Provision	24.0 %	-6.4 %	—
Change in Amount Due Pursuant to Tax Receivable Agreement Related to Tax Legislation	-5.4 %	—	—
Other	2.4 %	-0.8 %	-0.2 %
Effective Income Tax Rate	<u>381.7 %</u>	<u>64.8 %</u>	<u>-4.0 %</u>

Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. A summary of the tax effects of the temporary differences is as follows:

	December 31,	
	2017	2016
<b>Deferred Tax Assets</b>		
Tax Basis Step-Up from Blackstone	\$ 28,646	\$ 51,321
Deferred Compensation	15,569	22,570
Net Operating Loss	3,715	4,879
Deferred Rent	2,177	3,506
Partner Exchange Basis Step-Up	3,261	1,135
Other	199	973
Deferred Tax Assets Before Valuation Allowance	53,567	84,384
Valuation Allowance	(3,715)	(5,347)
Total Deferred Tax Assets	<u>\$ 49,852</u>	<u>\$ 79,037</u>
<b>Deferred Tax Liabilities</b>		
Intangible Assets	\$ 1,388	\$ 3,164
Fixed Assets	1,348	2,408
Other	3,114	2,508
Total Deferred Tax Liabilities	<u>5,850</u>	<u>8,080</u>
Deferred Tax Asset, Net	<u>\$ 44,002</u>	<u>\$ 70,957</u>

Tax Legislation was signed into law on December 22, 2017, which lowers the U.S. corporate income tax rate to 21% as of January 1, 2018. The estimated impact of the Tax Legislation was an increase in income tax expense of \$24.7 million due to the effects of the remeasurement of U.S. deferred tax assets at a lower enacted corporate tax rate. Additionally, the Company recorded an adjustment related to a decrease in the Amount Due Pursuant to Tax Receivable Agreement in the amount of \$1.6 million in Interest Income and Other.

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With respect to foreign operations, the Company has an income tax net operating loss of \$15.5 million with an unlimited life.

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

The Company considered its cumulative taxable income earned in recent periods and projections of future taxable income based on the growth trajectory of its business as positive evidence in evaluating its ability to utilize the deferred tax assets. The Company's projections of future taxable income in the U.S. federal jurisdiction currently indicate that it is more likely than not that the U.S. federal deferred tax assets will be realized.

The Company evaluated the losses incurred in foreign operating jurisdictions in 2017 and 2016 as objective negative evidence, and concluded that it outweighs any positive evidence afforded by projections of taxable income in future years and the ability to carry forward such losses. Accordingly, the Company recorded a valuation allowance of \$3.7 million and \$5.3 million at December 31, 2017 and 2016, respectively, with respect to certain foreign deferred tax assets (consisting principally of the tax benefit associated with net operating losses incurred in certain foreign jurisdictions).

The Company does not believe that it meets the indefinite reversal criteria that would allow the Company to refrain from recognizing any deferred tax liability with respect to its foreign subsidiaries. Accordingly, the Company records a deferred tax liability with respect to an outside basis difference in its investment in a foreign subsidiary, where applicable.

The Company is subject to taxation in the United States and various state, local and foreign jurisdictions. As of December 31, 2017, the Company is not generally subject to examination by the tax authorities for years before 2014.

The Company had no unrecognized tax benefits as of December 31, 2017 and 2016.

The Company does not anticipate a material increase or decrease in its unrecognized tax benefits during the coming year.

During the years ended December 31, 2017, 2016 and 2015, no interest or penalties were accrued with respect to unrecognized tax positions and there were no settlements with taxing authorities.

#### **9. NET LOSS PER SHARE OF CLASS A COMMON STOCK**

The following table summarizes the anti-dilutive securities for the years ended December 31, 2017 and 2016, and period from October 1, 2015 through December 31, 2015, which have been excluded from the calculation of net loss per share of Class A common stock:

	<b>Year Ended December 31,</b>		<b>Period from</b>
	<b>2017</b>	<b>2016</b>	<b>October 1, 2015</b>
			<b>through</b>
			<b>December 31,</b>
			<b>2015</b>
Weighted-Average Unvested RSUs	3,767,622	2,087,696	623,316
Weighted-Average Participating RSUs	450,718	733,287	511,139
Weighted-Average Partnership Units	14,972,302	16,068,957	16,055,122

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Partnership Units may be exchanged for PJT Partners Inc. Class A common stock on a one-for-one basis, subject to applicable vesting and transfer restrictions. If all Partnership Units were exchanged for Class A common stock, weighted-average Class A common stock outstanding would be 33,830,312 for the year ended December 31, 2017, excluding unvested RSUs and participating RSUs. In computing the dilutive effect, if any, which the aforementioned exchange would have on net loss per share, net income (loss) attributable to holders of Class A common stock would be adjusted due to the elimination of the non-controlling interests associated with the Partnership Units (including any tax impact). For the years ended December 31, 2017 and 2016, and period from October 1, 2015 through December 31, 2015, such exchange is not reflected in diluted net loss per share as the assumed exchange is not dilutive.

## **10. EQUITY-BASED COMPENSATION**

### **Overview**

Until the consummation of the spin-off, certain of the Company's employees participated in Blackstone's equity compensation plans. The equity-based compensation expense recorded by the Company for the periods presented prior to October 1, 2015 included the expense associated with the employees historically attributable to the Company's operations. As the equity-based compensation plans were Blackstone's plans, the amounts were previously recognized within Former Parent Company Investment and Due from Blackstone in the Consolidated and Combined Statements of Financial Condition.

On October 1, 2015, generally 50% of Blackstone's unvested equity awards (other than awards scheduled to vest within 180 calendar days following the spin-off) held by employees of the Company were converted into equity awards of PJT. These replacement awards have the same terms and conditions as the Blackstone equity awards, except that vesting conditions and settlement terms based on continued service to Blackstone are now based on continued service to the Company.

On October 1, 2015, the Company adopted the PJT Partners Inc. 2015 Omnibus Incentive Plan (the "PJT Equity Plan") for the purpose of providing incentive compensation measured by reference to the value of the Company's Class A common stock or Partnership Units. The PJT Equity Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, partnership interests and other stock-based or cash-based awards. The Company has initially authorized 12.2 million shares of Class A common stock for issuance under the PJT Equity Plan.

The following table represents equity-based compensation expense and related income tax benefit for the years ended December 31, 2017, 2016 and 2015, respectively:

	Year Ended December 31,		
	2017	2016	2015
Equity-Based Compensation Expense	\$ 115,928	\$ 89,010	\$ 65,342
Income Tax Benefit	\$ 8,664	\$ 10,678	\$ 2,618

Equity-based compensation expense for the year ended December 31, 2015 consisted of \$20.4 million of expense related to equity-classified awards and \$44.9 million of expense allocated from the former Parent prior to the spin-off on October 1, 2015.

### **Restricted Stock Units**

Pursuant to the PJT Equity Plan and in connection with the spin-off, annual compensation process and ongoing hiring process, the Company has issued RSUs, which generally vest over a service life of three to five years. Awards are generally forfeited if the employee ceases to be employed by the Company prior to vesting.



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A summary of the status of the Company's unvested RSUs in PJT Partners Inc. and PJT Partners Holdings LP as of December 31, 2017 and of changes during the period January 1, 2017 through December 31, 2017 is presented below:

	Restricted Stock Units			
	PJT Partners Inc.		PJT Partners Holdings LP	
	Number of Units	Weighted- Average Grant Date Fair Value (in dollars)	Number of Partnership Units	Weighted- Average Grant Date Fair Value (in dollars)
Balance, December 31, 2016	5,776,114	\$ 21.71	443,689	\$ 25.58
Granted	1,471,462	36.77	—	—
Vested	(736,081)	22.96	(199,689)	18.02
Forfeited	(65,792)	23.22	—	—
Dividends Reinvested on RSUs	10,031	33.59	—	—
Balance, December 31, 2017	<u>6,455,734</u>	<u>\$ 25.00</u>	<u>244,000</u>	<u>\$ 31.76</u>

As of December 31, 2017, there was \$54.5 million of estimated unrecognized compensation expense related to unvested RSU awards. The Company assumes a forfeiture rate of 1.0% to 14.0% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 0.7 years.

#### Partnership Units

In connection with the spin-off, certain individuals were issued Partnership Units that, subject to certain terms and conditions, are redeemable at the option of the holder for cash or, at the Company's election, for shares of PJT Partners Inc. Class A common stock on a one-for-one basis. These Partnership Units generally vest over a service life of three to five years.

A summary of the status of the Company's unvested Partnership Units as of December 31, 2017 and of changes during the period January 1, 2017 through December 31, 2017 is presented below:

	Partnership Units	
	Number of Partnership Units	Weighted- Average Grant Date Fair Value (in dollars)
Balance, December 31, 2016	5,591,357	\$ 21.23
Granted	179,831	28.30
Vested	(1,072,765)	21.07
Balance, December 31, 2017	<u>4,698,423</u>	<u>\$ 21.54</u>

As of December 31, 2017, there was \$56.4 million of estimated unrecognized compensation expense related to unvested Partnership Units. The Company assumes a forfeiture rate of 4.0% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 1.4 years.

#### Equity-Based Awards with Both Service and Market Conditions

In connection with the spin-off, the Company also granted equity-based awards containing both service and market conditions. The effect of the market condition is reflected in the grant date fair value of the award. Compensation cost is recognized over the requisite service period, provided that the service period is completed, irrespective of whether the market condition is satisfied. The service condition requirement with respect to such equity-based awards is five years with 20% vesting in the third year, 30% in the fourth year and 50% in the fifth

**PJT Partners Inc.**  
**Notes to Consolidated and Combined Financial Statements – Continued**  
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year. The market condition requirement will be satisfied upon the publicly traded shares of Class A common stock achieving certain volume-weighted average share price targets over any consecutive 30-day trading period following the consummation of the spin-off, pro rata at \$48, \$55, \$63, \$71 and \$79 per share of Class A common stock.

The market condition requirements must be met prior to the sixth anniversary of the consummation of the spin-off. No portion of these awards will become vested until both the service and market conditions have been satisfied.

A summary of the status of the Company's unvested equity-based awards in PJT Partners Holdings LP with both a service and market condition as of December 31, 2017 and of changes during the period January 1, 2017 through December 31, 2017 is presented below:

	<b>Equity-Based Awards with Both Service and Market Conditions</b>	
	<b>Number of Partnership Units</b>	<b>Weighted- Average Grant Date Fair Value (in dollars)</b>
Balance, December 31, 2016	6,503,464	\$ 5.72
Forfeited	(240,507)	5.72
Balance, December 31, 2017	<u>6,262,957</u>	<u>\$ 5.72</u>

As of December 31, 2017, there was \$14.3 million of estimated unrecognized compensation expense related to equity-based awards with both a service and market condition. The Company assumes a forfeiture rate of 4.0% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 1.4 years.

**Units Expected to Vest**

The following unvested units, after expected forfeitures, as of December 31, 2017, are expected to vest:

	<b>Units</b>	<b>Weighted-Average Service Period in Years</b>
Partnership Units	10,632,243	1.4
Restricted Stock Units	6,569,481	0.7
Total Equity-Based Awards	<u>17,201,724</u>	<u>1.1</u>

**11. STOCKHOLDERS' EQUITY (DEFICIT)**

**Class A and Class B Common Stock**

Holders of shares of the Company's Class A common stock are (a) entitled to one vote for each share held of record on all matters on which stockholders are entitled to vote generally, including the election or removal of directors; (b) entitled to receive dividends when and if declared by the Company's board of directors out of funds legally available therefor; and (c) entitled to receive pro rata the Company's remaining assets available for distribution upon any liquidation, dissolution or winding up of the Company.

With respect to all matters presented to stockholders of the Company other than director elections and removals, each holder of Class B common stock is entitled, without regard to the number of shares of Class B common stock held by such holder, to one vote for each partnership unit (including for this purpose, the number of Partnership Units that would be held by such holder assuming the conversion on such date of all vested and unvested LTIP Units held of record by such holder) in PJT Partners Holdings LP held by such holder. Shares of Class B common stock will initially entitle holders to only one vote per share in the election and removal of directors of PJT

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Partners Inc. However, all or a portion of the voting power of Class B common stock with respect to the election of directors of the Company may be increased to up to the number of votes to which a holder is then entitled on all other matters presented to stockholders. By written notice to the Company, each holder of Class B common stock may, at any time, request that such holder become entitled to a number of votes in the election and removal of directors of the Company not to exceed at any time the number of votes to which such holder is then entitled on all other matters presented to stockholders, or such lesser number of votes as may be specified in such holder's request. The Company's board of directors, in its sole discretion, may approve or decline any such request, and no such holder shall become entitled to such requested voting power in respect of such shares of Class B common stock unless and until the board of directors approves such request. Class B common stockholders have no economic rights in the Company, and do not have any right to receive dividends or to receive a distribution upon a liquidation or winding up of the Company.

**Non-Controlling Interests**

PJT Partners Inc. is the sole general partner of PJT Partners Holdings LP. PJT Partners Inc. owns less than 100% of the economic interest in PJT Partners Holdings LP, but has 100% of the voting power and controls the management of PJT Partners Holdings LP. As of December 31, 2017 and 2016, the non-controlling interest was 44.0% and 46.6%, respectively. The percentage of the Net Income (Loss) Attributable to Non-Controlling Interests will vary from this percentage primarily due to the differing level of income taxes applicable to the controlling interest.

Partnership Units are exchangeable at the option of the holder for cash or, at the Company's election, for shares of Class A common stock on a one-for-one basis. The election to exchange Partnership Units is entirely within the control of the Partnership Unitholder, although the Company retains the sole option to determine whether to settle the exchange in either cash or shares of Class A common stock.

On October 1, 2017, certain of the restrictive covenants entered into in connection with the spin-off expired. Previously, the ability to settle exchanges of Partnership Units in shares of the Company's Class A common stock was not entirely within the Company's control. Consequently, the value of these interests has been reclassified from Redeemable Non-Controlling Interests to Non-Controlling Interests at their redemption value as of October 1, 2017. This reclassification had the effect of reducing Redeemable Non-Controlling Interests and increasing Non-Controlling Interests each by \$574.3 million as of October 1, 2017.

PJT Partners Inc. operates and controls all of the business and affairs of PJT Partners Holdings LP and its operating subsidiaries indirectly through its equity interest in PJT Partners Holdings LP; therefore, the shares of Class A common stock outstanding represent the controlling interest.

**Treasury Stock**

On October 26, 2017, the Company's board of directors authorized the repurchase of shares of the Company's Class A common stock in an amount up to \$100 million. Under this repurchase program, shares of the Company's Class A common stock may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. The repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.

During the year ended December 31, 2017, the Company repurchased 60,333 shares at an average price per share of \$38.12, or \$2.3 million in aggregate, pursuant to this share repurchase program. The result of these repurchases was an increase of \$2.3 million in Treasury Stock on the Company's Consolidated and Combined Statement of Financial Condition for the year ended December 31, 2017.

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**Notes to Consolidated and Combined Financial Statements – Continued**  
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**12. TRANSACTIONS WITH RELATED PARTIES**

**Revenues Earned from Affiliates**

Following the spin-off on October 1, 2015, Blackstone is no longer an affiliate of the Company. Accordingly, for periods subsequent to October 1, 2015, revenues earned from Blackstone are no longer reported as Revenues Earned from Affiliates in the Consolidated and Combined Statements of Operations and receivables from Blackstone are no longer included in Receivable from Affiliates in the Consolidated and Combined Statements of Financial Condition.

There were no Advisory Fees earned from affiliates for the years ended December 31, 2017 and 2016. Advisory Fees earned from affiliates totaled \$4.2 million for the year ended December 31, 2015, representing 1.5% of total Advisory Fees. There were no Placement Fees earned from affiliates for the years ended December 31, 2017 and 2016. Placement Fees earned from affiliates totaled \$14.3 million for the year ended December 31, 2015 representing 12.6% of total Placement Fees. These fees were earned in the ordinary course of business.

There was no Interest Income earned from affiliates for the years ended December 31, 2017 and 2016. Interest Income earned from affiliates totaled \$0.2 million for the year ended December 31, 2015.

**Exchange Agreement**

The Company has entered into an exchange agreement with the limited partners of PJT Partners Holdings LP pursuant to which they (or certain permitted transferees) have the right, subject to the terms and conditions set forth in the limited partnership agreement of PJT Partners Holdings LP, on a quarterly basis, to exchange all or part of their Partnership Units for cash or, at the Company's election, for shares of PJT Partners Inc. Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Further, pursuant to the terms in the partnership agreement of PJT Partners Holdings LP, the Company may also require holders of Partnership Units who are not Service Providers (as defined in the partnership agreement of PJT Partners Holdings LP) to exchange such Partnership Units. The price per Partnership Unit to be received in a cash-settled exchange will be equal to the fair value of a share of PJT Partners Inc. Class A common stock (determined in accordance with and subject to adjustment under the exchange agreement). In the event cash-settled exchanges of Partnership Units are funded with new issuances of Class A common stock, the fair value of a share of PJT Partners Inc. Class A common stock will be deemed to be equal to the net proceeds per share of Class A common stock received by PJT Partners Inc. in the related issuance. Accordingly, in this event, the price per Partnership Unit to which an exchanging Partnership Unitholder will be entitled may be greater than or less than the then-current market value of PJT Partners Inc. Class A common stock. The exchange agreement also provides that a holder of Partnership Units will not have the right to exchange Partnership Units in the event that PJT Partners Inc. determines that such exchange would be prohibited by law, or would result in any breach of any debt agreement or other material contract of PJT Partners Inc. or PJT Partners Holdings LP.

Certain Partnership Unitholders exchanged 1,223,712 and 594,072 Partnership Units, respectively, for cash in the amounts of \$45.5 million and \$16.1 million, respectively, for the years ended December 31, 2017 and 2016. Such amounts are recorded as a reduction of Non-Controlling Interests in the Consolidated and Combined Statements of Financial Condition.

During the fourth quarter of 2017, the Company was presented with 533,799 Partnership Units to be exchanged. The Company elected to settle the exchange of these Partnership Units on February 14, 2018 for cash for an aggregate payment of \$24.3 million. The price per Partnership Unit paid by the Company was \$45.53, which was equal to the volume-weighted average price of a share of the Company's Class A common stock on February 9, 2018.

**Registration Rights Agreement**

The Company has entered into a registration rights agreement with the limited partners of PJT Partners Holdings LP pursuant to which the Company granted them, their affiliates and certain of their transferees the right, under certain circumstances and subject to certain restrictions, to require the Company to register under the Securities Act of 1933 shares of Class A common stock delivered in exchange for Partnership Units.

**PJT Partners Inc.**  
**Notes to Consolidated and Combined Financial Statements – Continued**  
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**Tax Receivable Agreement**

The Company has entered into a tax receivable agreement with the holders of Partnership Units (other than PJT Partners Inc.) that provides for the payment by PJT Partners Inc. to exchanging holders of Partnership Units of 85% of the benefits, if any, that PJT Partners Inc. is deemed to realize as a result of the increases in tax basis related to such exchanges of Partnership Units and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. As of December 31, 2017 and 2016, the Company had amounts due of \$2.9 million and \$1.0 million, respectively, pursuant to the tax receivable agreement, which represent management's best estimate of the amounts currently expected to be owed in connection with the tax receivable agreement. Actual payments may differ significantly from estimated payments.

**Aircraft Lease**

On occasion, certain of the Company's executive officers, employees and their families may make use of aircraft in which the Company owns a fractional interest (the "Aircraft"). Any such personal use of the Aircraft is charged to the executive officer or employee based on market rates and usage. The amount is not material to the consolidated and combined financial statements.

**13. COMMITMENTS AND CONTINGENCIES**

**Commitments**

*Line of Credit*

On October 1, 2015, PJT Partners Holdings LP entered into a Loan Agreement (the "Loan Agreement") and related documents with First Republic Bank. The Loan Agreement provides for a revolving credit facility with aggregate commitments in an amount equal to \$60.0 million, which aggregate commitments may be increased, on the terms and subject to the conditions set forth in the Loan Agreement, to up to \$80.0 million during the period beginning December 1 each year through March 1 of the following year. The proceeds of the revolving credit facility are available for working capital and general corporate purposes. Beginning October 30, 2017, drawings under the credit facility bear interest equal to the greater of a per annum rate of (a) 3%, or (b) the prime rate minus 1.0%. Undrawn commitments bear a commitment fee. The Loan Agreement contains customary representations, covenants and events of default. Financial covenants consist of a minimum consolidated tangible net worth, maximum leverage ratio, minimum consolidated liquidity ratio and limitation on additional indebtedness, each tested quarterly.

On October 30, 2017, PJT Partners Holdings LP entered into a Renewal Agreement (the "Renewal Agreement") and related documents with First Republic Bank, amending the terms of the Company's revolving credit facility under the Loan Agreement. The Renewal Agreement provides for an extension of the maturity of the revolving credit facility to October 1, 2019.

As of December 31, 2017 and 2016, there were no borrowings under the revolving credit facility and the Company was in compliance with the debt covenants.

*Leases*

The Company leases office space under non-cancelable lease agreements, which expire at various dates through 2030. Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain costs incurred by the landlord and are recognized on a straight-line basis over the term of the lease agreement.

Total rent expense, including former Parent allocations of rent expense for periods prior to October 1, 2015, was \$24.6 million, \$24.3 million and \$17.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. Rent expense is included in Occupancy and Related in the Consolidated and Combined Statements of Operations. These amounts include variable operating escalation payments, which are paid when invoiced.

**PJT Partners Inc.**  
**Notes to Consolidated and Combined Financial Statements – Continued**  
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As of December 31, 2017 and 2016, the Company maintained an irrevocable standby letter of credit for operating leases of \$5.0 million and \$4.5 million, respectively.

Capital lease obligations recorded are payable through 2021 at a weighted-average interest rate of 2.3%. The net book value of all assets recorded under capital leases aggregated \$0.3 million and \$0.4 million as of December 31, 2017 and 2016, respectively.

As of December 31, 2017, the aggregate minimum future payments required on non-cancelable leases are as follows:

Year Ending December 31,	Minimum Lease Payments	
	Capital	Operating
2018	\$ 107	\$ 23,496
2019	107	24,068
2020	80	22,974
2021	4	22,522
2022	—	22,407
Thereafter	—	91,671
Total Minimum Lease Payments	298	207,138
Less: Amount Representing Interest	10	
Capital Lease Obligation	<u>\$ 288</u>	
Less: Sublease Proceeds		17,982
Net Minimum Lease Payments		<u>\$ 189,156</u>

## Contingencies

### Litigation

From time to time, the Company is named as a defendant in legal actions relating to transactions conducted in the ordinary course of business. Some of these matters may involve claims of substantial amounts. Although there can be no assurance of the outcome of such legal actions, in the opinion of management, after consultation with external counsel, the Company believes it is not probable and/or reasonably possible that any current legal proceedings or claims would individually or in the aggregate have a material adverse effect on the consolidated and combined financial statements of the Company.

As previously disclosed, the Company terminated Andrew Caspersen on March 28, 2016 after learning of a number of unauthorized and unlawful transactions outside the scope of his employment with Park Hill Group. The Company recorded an expense of \$8.9 million during the year ended December 31, 2016, which represented the amount that was considered to be probable and reasonably estimable, as well as a related insurance reimbursement of \$5.6 million deemed probable of receipt. The Company made payments totaling \$8.9 million related to the charge and also received a \$5.6 million insurance reimbursement during the year ended December 31, 2016.

With respect to actual and potential additional claims related to funds fraudulently obtained by Mr. Caspersen, the Company believes that any such claims are without merit and the Company will vigorously defend any such actions.

With respect to the Company's other litigation matters, the Company is not currently able to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support such an assessment, including quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by courts on motions or appeals, analysis by experts or the status of any settlement negotiations.

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**Notes to Consolidated and Combined Financial Statements – Continued**  
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*Guarantee*

The Company provides a guarantee to a lending institution for certain loans held by employees for investment in funds of its former Parent, which are secured by the underlying investments in those funds. The amount guaranteed as of December 31, 2017 was \$9.7 million.

*Indemnifications*

The Company has entered and may continue to enter into contracts, including contracts with Blackstone relating to the spin-off, which contain a variety of indemnification obligations. The Company's maximum exposure under these arrangements is not known; however, the Company currently expects any associated risk of loss to be insignificant. In connection with these matters, the Company has incurred and may continue to incur legal expenses, which are expensed as incurred.

**Transactions and Agreements with Blackstone**

*Corporate Allocations*

Prior to the spin-off on October 1, 2015, Blackstone historically provided the Company with various office facilities, administrative and operational support services at cost. Such expenses were historically allocated to the Company based upon an established methodology appropriate to the expense. Under this methodology, expenses incurred by support service groups were allocated based upon agreed expense drivers. Example allocation methodologies included time and labor studies and proportional usage, headcount or square footage measures. Additionally, Blackstone incurred expenses on behalf of the Company that were specifically attributed to the Company. Such expenses were comprised principally of compensation and benefits, occupancy and office services, communications and information services, research and professional fees. The Company reimbursed Blackstone for its share of all such expenses paid on its behalf.

Management believes the assumptions underlying the consolidated and combined financial statements for periods presented prior to October 1, 2015 are reasonable. Nevertheless, the consolidated and combined financial statements may not have included all of the actual expenses that would have been incurred and may not have reflected the Company's results of operations, financial position and cash flows had it been a stand-alone company during the periods presented. Actual costs that would have been incurred if PJT Partners Inc. had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

During the year ended December 31, 2016, the Company recorded \$0.3 million related to certain professional fees payable to Blackstone. No such fees were recorded during the years ended December 31, 2015 and 2017. As of December 31, 2017, the Company had no amounts payable to Blackstone for such expenses and \$0.3 million as of December 31, 2016.

During the year ended December 31, 2016, the Company recorded \$8.6 million in non-cash contributions related to the ultimate settlement of balances due to and from Blackstone.

*Employee Matters Agreement*

The Company is required to reimburse Blackstone for the value of forfeited unvested equity awards granted to former Blackstone employees that transitioned to PJT Partners in connection with the spin-off. Such reimbursement is recorded in Accounts Payable, Accrued Expenses and Other Liabilities with an offset to Equity in the Consolidated and Combined Statements of Financial Condition. The Company will cash settle the liability to Blackstone quarterly as the forfeitures attributable to these employees crystallize. The accrual for these forfeitures was \$0.4 million and \$0.5 million as of December 31, 2017 and 2016, respectively.

Pursuant to the Employee Matters Agreement, the Company has agreed to pay Blackstone the net realized cash benefit resulting from certain compensation-related tax deductions. The amount payable to Blackstone arising from the tax deductions has been recorded in Other Expenses in the Consolidated and Combined Statements of Operations and is payable annually (for periods in which a cash benefit is realized) within nine months of the end of

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the relevant tax period. As of December 31, 2017 and 2016, the Company had accrued \$3.1 million and \$4.1 million, respectively, which the Company anticipates will be payable to Blackstone after the Company files its respective tax returns. The tax deduction and corresponding payable to Blackstone related to such deliveries will fluctuate primarily based on the price of Blackstone common units at the time of delivery.

*Tax Matters Agreement*

The Company entered into a Tax Matters Agreement with Blackstone that governs the respective rights, responsibilities and obligations of the Company and Blackstone after the spin-off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. The Company has joint and several liability with Blackstone to the Internal Revenue Service (“IRS”) for the consolidated U.S. federal income taxes of the Blackstone consolidated group relating to the taxable periods in which the Company was part of that group. However, the Tax Matters Agreement specifies the portion, if any, of this tax liability for which the Company bears responsibility, and Blackstone agrees to indemnify the Company against any amounts for which the Company is not responsible. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the spin-off is determined not to be tax-free. Though valid as between the parties, the Tax Matters Agreement is not binding on the IRS.

**14. EMPLOYEE BENEFIT PLANS**

The Company contributes to employer sponsored defined contribution plans for certain employees, subject to eligibility and statutory requirements. The Company incurred expenses with respect to these defined contribution plans in the amounts of \$0.7 million, \$0.6 million and \$0.6 million for the years December 31, 2017, 2016 and 2015, respectively, which are included in Compensation and Benefits in the Consolidated and Combined Statements of Operations.

**15. REGULATED ENTITIES**

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

PJT Partners LP is a registered broker-dealer through which strategic advisory and restructuring and special situations services are conducted in the United States and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). PJT Partners LP computes net capital based upon the aggregate indebtedness standard, which requires the maintenance of minimum net capital, as defined, which shall be the greater of \$100 thousand or 6 2/3% of aggregate indebtedness, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. PJT Partners LP had net capital of \$96.6 million and \$65.6 million as of December 31, 2017 and 2016, respectively, which exceeded the minimum net capital requirement by \$96.4 million and \$64.1 million, respectively.

Park Hill Group LLC is a registered broker-dealer through which private fund advisory and placement services are conducted in the United States and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Park Hill Group LLC elected to adopt the alternative standard, which defines minimum net capital as the greater of \$250 thousand or 2% of aggregate debit items computed in accordance with the reserve requirement. Park Hill Group LLC had net capital of \$15.9 million and \$18.1 million as of December 31, 2017 and 2016, respectively, which exceeded the minimum net capital requirement by \$15.7 million and \$17.9 million, respectively.

PJT Partners LP and Park Hill Group LLC do not carry customer accounts and do not otherwise hold funds or securities for, or owe money or securities to, customers and, accordingly, are both exempt from the SEC Customer Protection Rule (Rule 15c3-3).



**PJT Partners Inc.**  
**Notes to Consolidated and Combined Financial Statements – Continued**  
**(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)**

PJT Partners (UK) Limited is licensed with the United Kingdom’s Financial Conduct Authority and is required to maintain regulatory net capital of €50 thousand. PJT Partners (HK) Limited is licensed with the Hong Kong Securities and Futures Commission and is subject to a minimum liquid capital requirement of HK\$3 million. As of December 31, 2017 and 2016, both of these entities were in compliance with local capital adequacy requirements.

**16. BUSINESS INFORMATION**

The Company’s activities providing strategic advisory, restructuring and special situations and private fund advisory and placement services constitute a single reportable segment. An operating segment is a component of an entity which conducts business, incurs revenues and expenses for which discrete financial information is available that is reviewed by the chief operating decision maker in assessing performance and making resource allocation decisions. The Company has a single operating segment and therefore a single reportable segment.

The Company is organized as one operating segment in order to maximize the value of our advice to clients by drawing upon the diversified expertise and broad relationships of our senior professionals across the Company. The chief operating decision maker assesses performance and allocates resources based on broad considerations, including the market opportunity, available expertise across the Company and the strength and efficacy of professionals’ collaboration, and not based upon profit or loss measures for the Company’s separate product lines.

Since the financial markets are global in nature, the Company generally manages its business based on the operating results of the Company taken as a whole, not by geographic region. The following tables set forth the geographical distribution of revenues and assets based on the location of the office that generates the revenues or holds the assets and therefore may not be reflective of the geography in which the Company’s clients are located.

	Year Ended December 31,		
	2017	2016	2015
<b>Revenues</b>			
Domestic	\$ 431,617	\$ 465,046	\$ 381,389
International	67,665	34,384	24,549
Total	<u>\$ 499,282</u>	<u>\$ 499,430</u>	<u>\$ 405,938</u>
	December 31,		
	2017	2016	
<b>Assets</b>			
Domestic	\$ 494,718	\$ 545,049	
International	64,247	45,427	
Total	<u>\$ 558,965</u>	<u>\$ 590,476</u>	

The Company is not subject to any material concentrations with respect to its revenues for the years ended December 31, 2017, 2016 and 2015, or credit risk with respect to its accounts receivable as of December 31, 2017 and 2016.

**17. SUBSEQUENT EVENTS**

The Board of Directors of PJT Partners Inc. has declared a quarterly dividend of \$0.05 per share of Class A common stock, which will be paid on March 21, 2018 to Class A common stockholders of record on March 7, 2018.

The Company did not identify any other subsequent events besides the exchange of Partnership Units described in Note 12. “Transactions with Related Parties—Exchange Agreement.”

**PJT Partners Inc.**  
**Notes to Consolidated and Combined Financial Statements – Continued**  
**(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)**

**18. QUARTERLY FINANCIAL DATA (UNAUDITED)**

	Three Months Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Revenues	\$ 120,969	\$ 109,310	\$ 78,450	\$ 190,553
Expenses	118,881	111,393	94,064	164,890
Income (Loss) Before Provision for Taxes	\$ 2,088	\$ (2,083)	\$ (15,614)	\$ 25,663
Net Income (Loss)	\$ 2,959	\$ (565)	\$ (2,356)	\$ (28,364)
Net Income (Loss) Attributable to Non-Controlling Interests	1,626	(780)	(5,699)	9,081
Net Income (Loss) Attributable to PJT Partners Inc.	\$ 1,333	\$ 215	\$ 3,343	\$ (37,445)
Net Income (Loss) Per Share of Class A Common Stock				
Basic	\$ 0.07	\$ 0.01	\$ 0.17	\$ (1.98)
Diluted	\$ 0.07	\$ 0.01	\$ 0.16	\$ (1.98)
Dividends Declared Per Share of Class A Common Stock	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05

	Three Months Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Revenues	\$ 115,304	\$ 89,284	\$ 121,346	\$ 173,496
Expenses	112,571	99,539	123,306	149,514
Income (Loss) Before Provision for Taxes	\$ 2,733	\$ (10,255)	\$ (1,960)	\$ 23,982
Net Income (Loss)	\$ 1,431	\$ (4,716)	\$ (10,336)	\$ 18,729
Net Income (Loss) Attributable to Redeemable Non-Controlling Interests	1,176	(4,393)	(625)	11,984
Net Income (Loss) Attributable to PJT Partners Inc.	\$ 255	\$ (323)	\$ (9,711)	\$ 6,745
Net Income (Loss) Per Share of Class A Common Stock — Basic and Diluted	\$ 0.01	\$ (0.02)	\$ (0.53)	\$ 0.35
Dividends Declared Per Share of Class A Common Stock	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05

**PJT Partners Inc.**  
**Schedule II – Valuation and Qualifying Accounts**  
**(Dollars in Thousands)**

	Allowance for Doubtful Accounts		
	Year Ended December 31,		
	2017	2016	2015
Balance, Beginning of Period	\$ 4,374	\$ 862	\$ 3,758
Additions:			
Bad Debt Expense (Reversal)	624	3,512	(2,260 )
Deductions:			
Charge-offs of Uncollectible Balances	(3,064 )	—	—
Adjustment for Separation from Blackstone	—	—	(636 )
Balance, End of Period	<u>\$ 1,934</u>	<u>\$ 4,374</u>	<u>\$ 862</u>

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective at the reasonable assurance level to accomplish their objectives of ensuring that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

No changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during our most recent quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Management’s Report on Internal Control over Financial Reporting**

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed under the supervision of its principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

The Company’s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2017 based on the framework established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2017 was effective.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the Company's financial statements included in this Annual Report on Form 10-K and issued its report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, which is included below.

## Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of PJT Partners Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of PJT Partners Inc. and subsidiaries (the “Company”) as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated and combined financial statements as of and for the year ended December 31, 2017, of the Company and our report dated February 27, 2018, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

New York, New York  
February 27, 2018

**ITEM 9B. OTHER INFORMATION**

None.

### **PART III.**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information regarding directors and executive officers set forth under the caption “Proposal 1—Election of Directors” and “Executive Officers” in our definitive proxy statement to be filed in connection with our 2018 Annual Meeting of Stockholders (the “Proxy Statement”) is incorporated herein by reference.

The information regarding compliance with Section 16(a) of the Exchange Act set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement is incorporated herein by reference.

The information regarding our Code of Business Conduct and Ethics, our audit committee and our audit committee financial expert under the caption “Corporate Governance Matters” in the Proxy Statement is incorporated herein by reference.

We post our Code of Business Conduct and Ethics on our corporate website at [www.pjtpartners.com](http://www.pjtpartners.com) under the “Investor Relations/Corporate Governance/Governance Documents” section. Our Code of Business Conduct and Ethics applies to all directors, officers and employees, including our chairman and chief executive officer and our principal financial and accounting officer. We will post any amendments to the Code of Business Conduct and Ethics, and any waivers that are required to be disclosed by the rules of either the SEC or the NYSE, on our website within the required periods.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information contained in the sections captioned “Compensation of Our Executive Officers,” “Compensation of Directors” and “Compensation Committee Report” of the Proxy Statement is incorporated herein by reference.

Information regarding our compensation committee and compensation committee interlocks under the caption “Corporate Governance Matters—Board Committees” and “Corporate Governance Matters—Compensation Committee Interlocks and Insider Participation” is incorporated herein by reference.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information contained in the sections captioned “Compensation of Our Executive Officers—Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management” of the Proxy Statement is incorporated herein by reference.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information contained in the sections captioned “Certain Relationships and Related Person Transactions” and “Corporate Governance Matters—Director Independence” in the Proxy Statement is incorporated herein by reference.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information regarding our independent registered public accounting firm fees and services in the section captioned “Proposal 4—Ratification of Independent Registered Public Accounting Firm” of the Proxy Statement is incorporated herein by reference.



**PART IV.**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

*1. Financial Statements*

The consolidated and combined financial statements required to be filed in this Annual Report on Form 10-K are included in Item 8 above.

*2. Financial Statement Schedules*

See “Index to Consolidated and Combined Financial Statements” in this Annual Report on Form 10-K included in Item 8 above.

*3. Exhibits:*

<b>Exhibit Number</b>	
2.1	<a href="#"><u>Separation and Distribution Agreement by and among The Blackstone Group L.P., Blackstone Holdings I L.P., New Advisory GP L.L.C., PJT Partners Inc. and PJT Partners Holdings LP, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 2.1 to the Registrant’s Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of PJT Partners Inc. (incorporated herein by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
3.1.1	<a href="#"><u>Certificate of Designation of Series A Junior Participating Preferred Stock of PJT Partners Inc. (incorporated herein by reference to Exhibit 3.1.1 to the Registrant’s Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
3.2	<a href="#"><u>Amended and Restated By-Laws of PJT Partners Inc. (incorporated herein by reference to Exhibit 3.2 to the Registrant’s Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
10.1	<a href="#"><u>Employee Matters Agreement by and among The Blackstone Group L.P., Blackstone Holdings I L.P., New Advisory GP L.L.C., PJT Partners Inc., PJT Partners Holdings LP, PJT Capital LP, and PJT Management, LLC, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
10.2	<a href="#"><u>Tax Matters Agreement by and among The Blackstone Group L.P., Blackstone Holdings I/II GP Inc., PJT Partners Inc., PJT Partners Holdings LP, StoneCo IV Corporation, PJT Capital LP, PJT Management, LLC and the seller parties defined therein, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
10.3	<a href="#"><u>Loan Agreement dated as of October 1, 2015, between PJT Partners Holdings LP and First Republic Bank (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 13, 2016).</u></a>
10.4	<a href="#"><u>Renewal Agreement dated as of October 10, 2016, between PJT Partners Holdings LP and First Republic Bank (incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 13, 2016).</u></a>
10.5	<a href="#"><u>Renewal Agreement dated as of October 30, 2017, between PJT Partners Holdings LP and First Republic Bank (incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 31, 2017).</u></a>

Exhibit Number	
10.6	<a href="#"><u>Second Amended and Restated Limited Partnership Agreement of PJT Partners Holdings LP, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
10.7	<a href="#"><u>Amendment to the Second Amended and Restated Limited Partnership Agreement of PJT Partners Holdings LP, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.8	<a href="#"><u>Amendment No. 2 to the Second Amended and Restated Limited Partnership Agreement of PJT Partners Holdings LP, dated as of October 12, 2016 (incorporated herein by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 28, 2017).</u></a>
10.9	<a href="#"><u>Exchange Agreement by and among PJT Partners Inc., PJT Partners Holdings LP and the holders of partnership units from time to time party thereto, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
10.10	<a href="#"><u>Tax Receivable Agreement by and among PJT Partners Inc., PJT Partners Holdings LP and each of the limited partners from time to time party thereto, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
10.11	<a href="#"><u>Registration Rights Agreement by and among PJT Partners Inc. and the covered persons from time to time party thereto, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
10.12	<a href="#"><u>Stockholder Rights Agreement between PJT Partners Inc. and American Stock Transfer &amp; Trust Company, LLC, as Rights Agent, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
10.13+	<a href="#"><u>PJT Partners Inc. 2015 Omnibus Incentive Plan, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.10 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
10.14+	<a href="#"><u>PJT Partners Inc. Amended and Restated Bonus Deferral Plan, dated as of February 21, 2017 (incorporated herein by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K (File No. 001-36869) filed with the Securities and Exchange Commission on February 28, 2017).</u></a>
10.15+	<a href="#"><u>Form of PJT Partners Holdings LP Restricted Bonus Component Agreement (incorporated herein by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.16+	<a href="#"><u>Partner Agreement between PJT Partners Holdings LP and Paul J. Taubman, dated as of October 9, 2014 (incorporated herein by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form 10 (File No. 001-36869) filed with the Securities Exchange Commission on September 3, 2015).</u></a>
10.17+	<a href="#"><u>Partner Agreement between PJT Partners Holdings LP and Ji-Yeun Lee, dated as of October 9, 2014 (incorporated herein by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.18+	<a href="#"><u>Amendment to Partner Agreement between PJT Partners Holdings LP and Ji-Yeun Lee, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>

Exhibit Number	
10.19+	<a href="#"><u>Amendment to Partner Non-Competition and Non-Solicitation Agreement between PJT Partners Holdings LP and Ji-Yeun Lee, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.20+	<a href="#"><u>Partner Agreement between PJT Partners Holdings LP and Helen T. Meates, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.21+	<a href="#"><u>Partner Agreement between PJT Partners Holdings LP and James W. Cuminale, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.22+	<a href="#"><u>Form of Founder Unit Grant Agreement (CEO) (incorporated herein by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.23+	<a href="#"><u>Form of Earn-Out Unit Grant Agreement (CEO) (incorporated herein by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.24+	<a href="#"><u>Form of Founder Unit Grant Agreement (non-CEO) (incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.25+	<a href="#"><u>Form of Earn-Out Unit Grant Agreement (non-CEO) (incorporated herein by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.26+	<a href="#"><u>Form of Founder LTIP Unit Grant Agreement (non-CEO) (incorporated herein by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.27+	<a href="#"><u>Form of Director Restricted Stock Unit Grant Agreement (one-time award) (incorporated herein by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.28+	<a href="#"><u>Form of Director Restricted Stock Unit Grant Agreement (annual retainer) (incorporated herein by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K (File 001-36869) filed with the Securities and Exchange Commission on February 29, 2016).</u></a>
10.29+	<a href="#"><u>Form of Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36869) filed with the Securities and Exchange Commission on August 12, 2016).</u></a>
10.30+	<a href="#"><u>Form of Special Equity Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K (File No. 001-36869) filed with the Securities and Exchange Commission on February 28, 2017).</u></a>
10.31	<a href="#"><u>Form of Director Indemnification Agreement (incorporated herein by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K (File No. 001-36869) filed with the Securities and Exchange Commission on February 28, 2017).</u></a>
21.1	<a href="#"><u>Subsidiaries of PJT Partners Inc.</u></a>
23.1	<a href="#"><u>Consent of Deloitte &amp; Touche LLP.</u></a>
24.1	<a href="#"><u>Power of Attorney (included on signature page hereto).</u></a>
31.1	<a href="#"><u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).</u></a>

Exhibit Number	
31.2	<a href="#"><u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).</u></a>
32.1	<a href="#"><u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</u></a>
32.2	<a href="#"><u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</u></a>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
+	Indicates management or compensating plan or arrangement

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: February 27, 2018

### PJT Partners Inc.

By: /s/ Paul J. Taubman  
Name: Paul J. Taubman  
Title: Chief Executive Officer

Each of the officers and directors of PJT Partners Inc. whose signature appears below, in so signing, also makes, constitutes and appoints Paul J. Taubman and Helen T. Meates, and each of them, his true and lawful attorneys-in-fact and agents, with full power and substitution and resubstitution, for him in any and all capacities, to execute and cause to be filed with the SEC any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K, with exhibits thereto and other documents connected therewith and to perform any acts necessary to be done in order to file such documents, and hereby ratifies and confirms all that said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Paul J. Taubman</u> Paul J. Taubman	Chairman and Chief Executive Officer (Principal Executive Officer)	February 27, 2018
<u>/s/ Helen T. Meates</u> Helen T. Meates	Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2018
<u>/s/ James Costos</u> James Costos	Director	February 27, 2018
<u>/s/ Dennis S. Hersch</u> Dennis S. Hersch	Director	February 27, 2018
<u>/s/ Emily K. Rafferty</u> Emily K. Rafferty	Director	February 27, 2018
<u>/s/ Thomas M. Ryan</u> Thomas M. Ryan	Director	February 27, 2018
<u>/s/ Kenneth C. Whitney</u> Kenneth C. Whitney	Director	February 27, 2018

## SUBSIDIARIES OF REGISTRANT

Name	Jurisdiction of Incorporation or Organization
PJT Partners Holdings LP	Delaware
PJT Management LLC	Delaware
PJT Capital LP	Delaware
PJT Partners LP	Delaware
PHG CP Inc.	Delaware
PHG Holdings LLC	Delaware
Park Hill Group LLC	Delaware
PJT Partners (Cayman) Limited	Cayman Islands
PJT Partners (UK) Limited	United Kingdom
PJT Partners (HK) Limited	Hong Kong
PJT Partners Brasil Holdings LLC	Delaware
PJT Partners Brasil Holdings (Sub) LLC	Delaware
PJT Partners Brasil Assessoria Ltda.	Brazil

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-207207 on Form S-8 and Registration Statement No. 333-214368 on Form S-3 of our reports dated February 27, 2018, relating to the financial statements and the financial statement schedules of PJT Partners Inc. (the “Company”), and the effectiveness of the Company’s internal control over financial reporting appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2017.

/s/ Deloitte & Touche LLP

New York, New York  
February 27, 2018

## CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Paul J. Taubman, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of PJT Partners Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 27, 2018

/s/ Paul J. Taubman  
 Paul J. Taubman  
 Chief Executive Officer



**CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Helen T. Meates, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of PJT Partners Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 27, 2018

/s/ Helen T. Meates  
 Helen T. Meates  
 Chief Financial Officer

**Certification of the Chief Executive Officer**  
**Pursuant to 18 U.S.C. Section 1350,**  
**As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of PJT Partners Inc. (the "Company") on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul J. Taubman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2018

/s/ Paul J. Taubman  
Paul J. Taubman  
Chief Executive Officer

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**Certification of the Chief Financial Officer**  
**Pursuant to 18 U.S.C. Section 1350,**  
**As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of PJT Partners Inc. (the "Company") on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Helen T. Meates, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2018

/s/ Helen T. Meates  
Helen T. Meates  
Chief Financial Officer

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.