

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019

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)

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

280 Park Avenue  
New York, New York 10017  
(Address of principal executive offices)(Zip Code)  
(212) 364-7800  
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with 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 May 1, 2019, there were 23,724,947 shares of Class A common stock, par value \$0.01 per share, and 202 shares of Class B common stock, par value \$0.01 per share, outstanding.

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

| Title of each class                              | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Class A common stock, par value \$0.01 per share | PJT               | New York Stock Exchange                   |

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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 Quarterly Report on Form 10-Q, we refer to this transaction as the “spin-off.” 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 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.

In this Quarterly Report on Form 10-Q, 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, acquisitions, 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 our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the United States Securities and Exchange Commission (“SEC”), as such factors may be updated from time to time in our periodic filings with the 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. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

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

|   | March 31,<br>2019 | December 31,<br>2018 |
|---|-------------------|----------------------|
| <b>Assets</b>   |                   |                      |
| Cash and Cash Equivalents   | \$ 54,347         | \$ 106,110           |
| Investments   | 2,090             | 2,157                |
| Accounts Receivable (net of allowance for doubtful accounts of \$279 and \$726 at March 31, 2019 and December 31, 2018, respectively)   | 203,908           | 217,768              |
| Intangible Assets, Net  | 47,176            | 49,160               |
| Goodwill  | 170,914           | 176,031              |
| Furniture, Equipment and Leasehold Improvements, Net  | 34,814            | 34,805               |
| Operating Lease Right-of-Use Assets   | 145,949           | —                    |
| Other Assets  | 46,057            | 26,935               |
| Deferred Tax Asset, Net   | 61,091            | 58,851               |
| <b>Total Assets</b>   | <b>\$ 766,346</b> | <b>\$ 671,817</b>    |
| <b>Liabilities and Equity (Deficit)</b>   |                   |                      |
| Accrued Compensation and Benefits   | \$ 26,490         | \$ 89,642            |
| Accounts Payable, Accrued Expenses and Other Liabilities  | 20,560            | 24,657               |
| Operating Lease Liabilities   | 161,201           | —                    |
| Deferred Rent Liability   | —                 | 16,417               |
| Amount Due Pursuant to Tax Receivable Agreement   | 9,111             | 8,456                |
| Taxes Payable   | 3,293             | 7,040                |
| Deferred Revenue  | 7,535             | 7,856                |
| Loan Payable  | 30,000            | 30,000               |
| <b>Total Liabilities</b>  | <b>258,190</b>    | <b>184,068</b>       |
| <b>Commitments and Contingencies</b>  |                   |                      |
| <b>Equity (Deficit)</b>   |                   |                      |
| Class A Common Stock, par value \$0.01 per share (3,000,000,000 shares authorized; 25,078,345 and 23,940,185 issued at March 31, 2019 and December 31, 2018, respectively; 23,724,947 and 22,586,787 outstanding at March 31, 2019 and December 31, 2018, respectively) | 251               | 240                  |
| Class B Common Stock, par value \$0.01 per share (1,000,000 shares authorized; 200 issued and outstanding at March 31, 2019; 199 issued and outstanding at December 31, 2018)   | —                 | —                    |
| Additional Paid-In Capital  | 112,306           | 150,908              |
| Accumulated Deficit   | (169,923)         | (169,836)            |
| Accumulated Other Comprehensive Income (Loss)   | 33                | (627)                |
| Treasury Stock at Cost (1,353,398 shares at March 31, 2019 and December 31, 2018)   | (67,172)          | (67,172)             |
| <b>Total PJT Partners Inc. Equity (Deficit)</b>   | <b>(124,505)</b>  | <b>(86,487)</b>      |
| <b>Non-Controlling Interests</b>  | <b>632,661</b>    | <b>574,236</b>       |
| <b>Total Equity</b>   | <b>508,156</b>    | <b>487,749</b>       |
| <b>Total Liabilities and Equity</b>   | <b>\$ 766,346</b> | <b>\$ 671,817</b>    |

See notes to condensed consolidated financial statements.

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

|  | Three Months Ended March 31, |                   |
|--|------------------------------|-------------------|
|  | 2019                         | 2018              |
| <b>Revenues</b>  |                              |                   |
| Advisory Fees  | \$ 104,467                   | \$ 103,463        |
| Placement Fees   | 23,312                       | 26,120            |
| Interest Income and Other  | 277                          | 4,459             |
| <b>Total Revenues</b>  | <u>128,056</u>               | <u>134,042</u>    |
| <b>Expenses</b>  |                              |                   |
| Compensation and Benefits  | 95,151                       | 103,632           |
| Occupancy and Related  | 7,136                        | 6,803             |
| Travel and Related   | 6,959                        | 5,470             |
| Professional Fees  | 5,802                        | 5,199             |
| Communications and Information Services                            | 3,213                        | 3,480             |
| Depreciation and Amortization                                      | 3,620                        | 2,007             |
| Other Expenses   | 6,262                        | 4,832             |
| <b>Total Expenses</b>  | <u>128,143</u>               | <u>131,423</u>    |
| <b>Income (Loss) Before Benefit for Taxes</b>                      | (87)                         | 2,619             |
| <b>Benefit for Taxes</b>   | (1,024)                      | (4,110)           |
| <b>Net Income</b>  | 937                          | 6,729             |
| <b>Net Income (Loss) Attributable to Non-Controlling Interests</b> | (164)                        | 1,493             |
| <b>Net Income Attributable to PJT Partners Inc.</b>                | <u>\$ 1,101</u>              | <u>\$ 5,236</u>   |
| <b>Net Income Per Share of Class A Common Stock</b>                |                              |                   |
| Basic  | <u>\$ 0.05</u>               | <u>\$ 0.27</u>    |
| Diluted  | <u>\$ 0.04</u>               | <u>\$ 0.24</u>    |
| <b>Weighted-Average Shares of Class A Common Stock Outstanding</b> |                              |                   |
| Basic  | <u>23,760,876</u>            | <u>19,356,876</u> |
| Diluted  | <u>40,019,889</u>            | <u>23,887,322</u> |

See notes to condensed consolidated financial statements.

**PJT Partners Inc.**  
**Condensed Consolidated Statements of Comprehensive Income (Unaudited)**  
**(Dollars in Thousands)**

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|  | <u>Three Months Ended March 31,</u> |                 |
|--|-------------------------------------|-----------------|
|  | <u>2019</u>                         | <u>2018</u>     |
| Net Income   | \$ 937                              | \$ 6,729        |
| Other Comprehensive Income, Net of Tax —                       |                                     |                 |
| Currency Translation Adjustment                                | 1,261                               | 769             |
| Comprehensive Income   | <u>2,198</u>                        | <u>7,498</u>    |
| Less:  |                                     |                 |
| Comprehensive Income Attributable to Non-Controlling Interests | 437                                 | 1,858           |
| Comprehensive Income Attributable to PJT Partners Inc.         | <u>\$ 1,761</u>                     | <u>\$ 5,640</u> |

See notes to condensed consolidated financial statements.

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

|   | Shares                     |                            |                   | Class A<br>Common<br>Stock | Class B<br>Common<br>Stock | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income | Treasury<br>Stock | Non-<br>Controlling<br>Interests | Total             |
|---|----------------------------|----------------------------|-------------------|----------------------------|----------------------------|----------------------------------|------------------------|---|-------------------|----------------------------------|-------------------|
|   | Class A<br>Common<br>Stock | Class B<br>Common<br>Stock | Treasury<br>Stock |                            |                            |                                  |                        |   |                   |                                  |                   |
| <b>Balance at December 31, 2017</b>                           | 18,599,454                 | 221                        | (60,333)          | \$ 186                     | \$ —                       | \$ 30,674                        | \$ (185,991)           | \$ 155  | \$ (2,302)        | \$ 579,732                       | \$ 422,454        |
| Adoption of Accounting Standard                               | —                          | —                          | —                 | —                          | —                          | —                                | (6,696)                | —   | —                 | —                                | (6,696)           |
| Net Income  | —                          | —                          | —                 | —                          | —                          | —                                | 5,236                  | —   | —                 | 1,493                            | 6,729             |
| Other Comprehensive Income                                    | —                          | —                          | —                 | —                          | —                          | —                                | —                      | 404   | —                 | 365                              | 769               |
| Dividends Declared (\$0.05 Per Share of Class A Common Stock) | —                          | —                          | —                 | —                          | —                          | —                                | (967)                  | —   | —                 | —                                | (967)             |
| Equity-Based Compensation                                     | —                          | —                          | —                 | —                          | —                          | 25,666                           | —                      | —   | —                 | 11,396                           | 37,062            |
| Forfeiture Liability for Equity Awards                        | —                          | —                          | —                 | —                          | —                          | 91                               | —                      | —   | —                 | —                                | 91                |
| Net Share Settlement  | —                          | —                          | —                 | —                          | —                          | (19,468)                         | —                      | —   | —                 | —                                | (19,468)          |
| Deliveries of Vested Shares of Class A Common Stock           | 1,135,047                  | —                          | —                 | 11                         | —                          | (11)                             | —                      | —   | —                 | —                                | —                 |
| Change in Ownership Interest                                  | —                          | (6)                        | —                 | —                          | —                          | (2,204)                          | —                      | —   | —                 | (21,874)                         | (24,078)          |
| Treasury Stock Purchases                                      | —                          | —                          | (81,810)          | —                          | —                          | —                                | —                      | —   | (3,890)           | —                                | (3,890)           |
| <b>Balance at March 31, 2018</b>                              | <u>19,734,501</u>          | <u>215</u>                 | <u>(142,143)</u>  | <u>\$ 197</u>              | <u>\$ —</u>                | <u>\$ 34,748</u>                 | <u>\$ (188,418)</u>    | <u>\$ 559</u>                                   | <u>\$ (6,192)</u> | <u>\$ 571,112</u>                | <u>\$ 412,006</u> |

(continued)

See notes to condensed consolidated financial statements.

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

|   | Shares                     |                            |                    | Class A<br>Common<br>Stock | Class B<br>Common<br>Stock | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock  | Non-<br>Controlling<br>Interests | Total             |
|---|----------------------------|----------------------------|--------------------|----------------------------|----------------------------|----------------------------------|------------------------|--|--------------------|----------------------------------|-------------------|
|   | Class A<br>Common<br>Stock | Class B<br>Common<br>Stock | Treasury<br>Stock  |                            |                            |                                  |                        |  |                    |                                  |                   |
| <b>Balance at December 31, 2018</b>                                 | 23,940,185                 | 199                        | (1,353,398)        | \$ 240                     | \$ —                       | \$ 150,908                       | \$ (169,836)           | \$ (627)   | \$ (67,172)        | \$ 574,236                       | \$ 487,749        |
| Net Income  | —                          | —                          | —                  | —                          | —                          | —                                | 1,101                  | —  | —                  | (164)                            | 937               |
| Other Comprehensive<br>Income                                       | —                          | —                          | —                  | —                          | —                          | —                                | —                      | 660  | —                  | 601                              | 1,261             |
| Dividends Declared (\$0.05<br>Per Share of<br>Class A Common Stock) | —                          | —                          | —                  | —                          | —                          | —                                | (1,188)                | —  | —                  | —                                | (1,188)           |
| Equity-Based Compensation   | —                          | —                          | —                  | —                          | —                          | 23,884                           | —                      | —  | —                  | 11,089                           | 34,973            |
| Forfeiture Liability for<br>Equity Awards                           | —                          | —                          | —                  | —                          | —                          | 6                                | —                      | —  | —                  | —                                | 6                 |
| Net Share Settlement  | —                          | —                          | —                  | —                          | —                          | (8,604)                          | —                      | —  | —                  | —                                | (8,604)           |
| Deliveries of Vested Shares<br>of<br>Class A Common Stock           | 1,088,396                  | —                          | —                  | 11                         | —                          | (11)                             | —                      | —  | —                  | —                                | —                 |
| Acquisition-Related Equity<br>Issuance                              | 49,764                     | —                          | —                  | —                          | —                          | 1,889                            | —                      | —  | —                  | 398                              | 2,287             |
| Change in Ownership<br>Interest                                     | —                          | 1                          | —                  | —                          | —                          | (55,766)                         | —                      | —  | —                  | 46,501                           | (9,265)           |
| <b>Balance at March 31, 2019</b>                                    | <u>25,078,345</u>          | <u>200</u>                 | <u>(1,353,398)</u> | <u>\$ 251</u>              | <u>\$ —</u>                | <u>\$ 112,306</u>                | <u>\$ (169,923)</u>    | <u>\$ 33</u>   | <u>\$ (67,172)</u> | <u>\$ 632,661</u>                | <u>\$ 508,156</u> |

See notes to condensed consolidated financial statements.



**PJT Partners Inc.**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
(Dollars in Thousands)

|  | Three Months Ended March 31, |                  |
|--|------------------------------|------------------|
|  | 2019                         | 2018             |
| <b>Operating Activities</b>  |                              |                  |
| Net Income   | \$ 937                       | \$ 6,729         |
| Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities |                              |                  |
| Equity-Based Compensation Expense  | 34,973                       | 37,062           |
| Depreciation and Amortization Expense  | 3,620                        | 2,007            |
| Amortization of Right-of-Use Assets  | 3,632                        | —                |
| Bad Debt Expense   | 286                          | —                |
| Deferred Taxes   | (1,438)                      | (602)            |
| Other  | 489                          | (2,230)          |
| Cash Flows Due to Changes in Operating Assets and Liabilities                |                              |                  |
| Accounts Receivable  | 13,858                       | (33,454)         |
| Other Assets   | (19,998)                     | (11,612)         |
| Accrued Compensation and Benefits  | (63,913)                     | (58,431)         |
| Accounts Payable, Accrued Expenses and Other Liabilities                     | (3,043)                      | 6,828            |
| Operating Lease Liabilities  | (5,137)                      | —                |
| Deferred Rent Liability  | —                            | 188              |
| Taxes Payable  | (3,855)                      | (635)            |
| Deferred Revenue   | (329)                        | 1,186            |
| Net Cash Used in Operating Activities  | (39,918)                     | (52,964)         |
| <b>Investing Activities</b>  |                              |                  |
| Purchases of Investments   | —                            | (20,862)         |
| Maturities of Investments  | —                            | 35,185           |
| Purchases of Furniture, Equipment and Leasehold Improvements                 | (1,561)                      | (3,139)          |
| Settlement of Acquisition-Related Escrow                                     | 7,485                        | —                |
| Net Cash Provided by Investing Activities                                    | 5,924                        | 11,184           |
| <b>Financing Activities</b>  |                              |                  |
| Dividends  | (1,188)                      | (967)            |
| Proceeds from Revolving Credit Facility                                      | 15,000                       | —                |
| Payments on Revolving Credit Facility  | (15,000)                     | —                |
| Employee Taxes Paid for Shares Withheld                                      | (8,604)                      | (19,468)         |
| Cash-Settled Exchanges of Partnership Units                                  | (9,437)                      | (24,306)         |
| Treasury Stock Purchases   | —                            | (3,890)          |
| Payments Pursuant to Tax Receivable Agreement                                | (210)                        | (10)             |
| Principal Payments on Finance Leases   | (40)                         | (25)             |
| Net Cash Used in Financing Activities  | (19,479)                     | (48,666)         |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents                 | 1,710                        | 1,167            |
| <b>Net Decrease in Cash and Cash Equivalents</b>                             | <b>(51,763)</b>              | <b>(89,279)</b>  |
| Cash and Cash Equivalents, Beginning of Period                               | 106,110                      | 145,619          |
| Cash and Cash Equivalents, End of Period                                     | <u>\$ 54,347</u>             | <u>\$ 56,340</u> |
| <b>Supplemental Disclosure of Cash Flows Information</b>                     |                              |                  |
| Payments for Income Taxes, Net of Refunds Received                           | <u>\$ 4,253</u>              | <u>\$ 604</u>    |
| Payments for Interest  | <u>\$ 475</u>                | <u>\$ —</u>      |
| Non-Cash Receipt of Shares   | <u>\$ —</u>                  | <u>\$ 2,254</u>  |

See notes to condensed consolidated financial statements.

**1. ORGANIZATION**

PJT Partners Inc. and its consolidated subsidiaries (the “Company” or “PJT Partners”) deliver a wide array of strategic advisory, shareholder engagement, 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 PJT Park Hill, the Company provides private fund advisory and fundraising 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.”

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 March 31, 2019, the non-controlling interest was 39.6%. 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 condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the instructions to Form 10-Q. The condensed consolidated financial statements, including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Intercompany transactions have been eliminated for all periods presented.

For a comprehensive disclosure of the Company’s significant accounting policies, see Note 2. “Summary of Significant Accounting Policies” in the “Notes to Consolidated Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Certain prior year amounts have been reclassified to conform to the current year presentation.

**Recent Accounting Developments**

In February 2016, the Financial Accounting Standards Board (“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. 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. 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 Company adopted the new guidance as of January 1, 2019 using the transition method that allows such guidance to be applied initially at the adoption date without restating comparative periods. The Company elected the transition package of practical expedients to alleviate certain operational complexities related to the adoption.

The impact of adoption of the lease guidance as of January 1, 2019 is as follows:

|  | December 31,<br>2018 | Adjustments | January 1,<br>2019 |
|--|----------------------|-------------|--------------------|
| Operating Lease Right-of-Use Assets                      | \$ —                 | \$ 129,479  | \$ 129,479         |
| Other Assets   | 26,935               | (866)       | 26,069             |
| Accounts Payable, Accrued Expenses and Other Liabilities | 24,657               | (1,190)     | 23,467             |
| Operating Lease Liabilities                              | —                    | 146,220     | 146,220            |
| Deferred Rent Liability                                  | 16,417               | (16,417)    | —                  |

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 annual and interim periods beginning after December 15, 2019, with early adoption 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 financial statements.

In February 2018, the FASB issued guidance that allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The guidance is effective for annual and interim periods beginning after December 15, 2018, with an option to apply it in the period of adoption or on a retrospective basis for each period in which the effect of the change in the U.S. federal corporate income tax rate is recognized. Early adoption of the new guidance is permitted for reporting periods for which financial statements have not yet been issued. The Company adopted this guidance on January 1, 2019 with no material impact on its consolidated financial statements.

In August 2018, the FASB issued updated guidance that modifies the disclosure requirements on fair value measurements. The updated guidance removes and modifies various disclosures under current guidance and includes additional requirements. The updated guidance is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements.

**3. BUSINESS COMBINATIONS**

**Acquisition of CamberView**

In October 2018, the Company completed the acquisition of CamberView Partners Holdings, LLC (“CamberView”). The preliminary purchase price as of March 31, 2019 was comprised of the following:

|                       |    |                |
|-----------------------|----|----------------|
| Cash (a)              | \$ | 60,765         |
| Common Stock (b)      |    | 71,423         |
| Partnership Units (c) |    | 3,961          |
| Total Purchase Price  | \$ | <u>136,149</u> |

- (a) Reflects cash paid to selling unitholders and employees of CamberView at closing, payoff of an existing term loan facility held by CamberView at closing and settlement of escrow balances in March 2019.
- (b) Reflects the value of 1.4 million shares of PJT Partners Inc. Class A common stock issued to the selling unitholders of CamberView at closing based on the Company’s closing stock price of \$51.55 on October 1, 2018 and the value of an additional 0.1 million shares of PJT Partners Inc. Class A common stock issued to the selling unitholders related to the settlement of escrow balances in March 2019 based on the Company’s closing stock price of \$40.61 on March 15, 2019.
- (c) Reflects the value of 0.1 million common units of partnership interest in PJT Partners Holdings LP (“Partnership Units”) issued to certain CamberView employees at closing using a fair value of \$47.53, which represents the closing stock price of \$51.55 on October 1, 2018 discounted for holding period risk as well as an additional 0.1 million Partnership Units issued to certain CamberView employees upon the settlement of escrow balances in March 2019 using a fair value of \$37.44, which represents the closing stock price of \$40.61 on March 15, 2019 discounted for holding period risk. Partnership Units shall be eligible for exchange in accordance with the Exchange Agreement starting on the first exchange date when the Partnership Units have been both outstanding and fully vested for at least six months as of the applicable exchange date.

The total preliminary purchase price includes Securityholder Representative Funds, as defined in the agreement and plan of merger, of \$1.0 million, which may be used to cover post-closing obligations of the selling unitholders. Any release of these proceeds to PJT Partners Inc. will adjust the components of the purchase price allocation.

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

The following table summarizes the preliminary allocation of the total purchase price:

|   | December 31,<br>2018 | Measurement<br>Period<br>Adjustments | March 31,<br>2019 |
|---|----------------------|--------------------------------------|-------------------|
| <b>Assets</b>   |                      |                                      |                   |
| Cash  | \$ 6,787             | \$ —                                 | \$ 6,787          |
| Accounts Receivable   | 2,602                | —                                    | 2,602             |
| Furniture, Equipment and Leasehold Improvements,<br>Net     | 283                  | —                                    | 283               |
| Other Assets  | 2,915                | (81)                                 | 2,834             |
| Identifiable Intangible Assets                              | 40,600               | —                                    | 40,600            |
| Goodwill  | 103,745              | (5,117)                              | 98,628            |
| Deferred Tax Asset  | 111                  | —                                    | 111               |
| <b>Total Assets</b>   | <b>157,043</b>       | <b>(5,198)</b>                       | <b>151,845</b>    |
| <b>Liabilities</b>  |                      |                                      |                   |
| Accrued Compensation and Benefits                           | 192                  | —                                    | 192               |
| Accounts Payable, Accrued Expenses and Other<br>Liabilities | 8,660                | —                                    | 8,660             |
| Deferred Rent Liability                                     | 230                  | —                                    | 230               |
| Taxes Payable   | 54                   | —                                    | 54                |
| Deferred Revenue  | 6,560                | —                                    | 6,560             |
| <b>Total Liabilities</b>                                    | <b>15,696</b>        | <b>—</b>                             | <b>15,696</b>     |
| <b>Net Assets</b>   | <b>\$ 141,347</b>    | <b>\$ (5,198)</b>                    | <b>\$ 136,149</b> |

The Consolidated Statement of Operations for the three months ended March 31, 2019 includes the results of CamberView. Supplemental information on an unaudited pro forma basis, as if the acquisition had been consummated as of January 1, 2017 is as follows:

|  | Three Months<br>Ended<br>March 31, 2018 |
|--|---|
| Total Revenues                               | \$ 142,210                              |
| Net Income Attributable to PJT Partners Inc. | \$ 3,824                                |

**4. REVENUES FROM CONTRACTS WITH CUSTOMERS**

The following table reconciles revenues recognized from contracts with customers to Total Revenues in the Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018:

|   | Three Months Ended March 31, |                   |
|---|------------------------------|-------------------|
|   | 2019                         | 2018              |
| Advisory Fees   | \$ 104,467                   | \$ 103,463        |
| Placement Fees  | 23,312                       | 26,120            |
| Interest Income from Placement Fees                         | 1,166                        | 1,405             |
| Expense Reimbursement Included in Interest Income and Other | 1,284                        | 2,268             |
| <b>Revenues from Contracts with Customers</b>               | <b>130,229</b>               | <b>133,256</b>    |
| Sublease Income and Other                                   | (2,173)                      | 786               |
| <b>Total Revenues</b>                                       | <b>\$ 128,056</b>            | <b>\$ 134,042</b> |

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

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*Remaining Performance Obligations and Revenue Recognized from Past Performance*

As of March 31, 2019, the aggregate amount of the transaction price allocated to performance obligations yet to be satisfied was \$24.1 million and the Company generally expects to recognize this revenue within the next twelve months. Such amounts relate to the Company's performance obligations of providing capital advisory services and standing ready to perform.

During the three months ended March 31, 2019 and 2018, the Company recognized revenue of \$4.6 million and \$6.2 million, respectively, related to performance obligations that were fully satisfied in prior periods, primarily due to constraints on variable consideration in prior periods being resolved. Such amounts related primarily to the provision of capital advisory services. The majority of Fee Revenue recognized by the Company during the three months ended March 31, 2019 and 2018 was predominantly related to performance obligations that were partially satisfied in prior periods.

*Contract Balances*

There were no significant impairments related to contract balances during the three months ended March 31, 2019 and 2018.

The beginning and ending balances of Deferred Revenue are included in the Condensed Consolidated Statements of Financial Condition. For the three months ended March 31, 2019 and 2018, \$5.1 million and \$1.0 million, respectively, of revenue was recognized that was included in the beginning balance of Deferred Revenue, primarily related to the Company's performance obligation of standing ready to perform. In certain contracts, the Company receives customer deposits, which are also considered to be contract liabilities. As of March 31, 2019 and December 31, 2018, the Company recorded \$1.2 million and \$1.1 million, respectively, of customer deposits in Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated Statements of Financial Condition.

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

Included in Accounts Receivable are long-term receivables of \$69.1 million and \$77.9 million as of March 31, 2019 and December 31, 2018, 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. Of receivables that originated as long-term, there were \$9.8 million and \$7.5 million as of March 31, 2019 and December 31, 2018, respectively, which were outstanding more than 90 days. There was no allowance for doubtful accounts with respect to such receivables as of March 31, 2019 or December 31, 2018.

**6. GOODWILL AND INTANGIBLE ASSETS**

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

|                                   |    |                |
|-----------------------------------|----|----------------|
| Balance, December 31, 2018        | \$ | 176,031        |
| Measurement Period Adjustment (a) |    | (5,117)        |
| Balance, March 31, 2019           | \$ | <u>170,914</u> |

(a) During the three months ended March 31, 2019, the Company recorded \$5.1 million of measurement period adjustments related to the acquisition of CamberView.

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

Intangible Assets, Net consists of the following:

|                                       | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|---------------------------------------|---------------------------|------------------------------|
| <b>Finite-Lived Intangible Assets</b> |                           |                              |
| Customer Relationships                | \$ 62,876                 | \$ 62,876                    |
| Trade Name                            | 9,900                     | 9,900                        |
| Total Intangible Assets               | 72,776                    | 72,776                       |
| <b>Accumulated Amortization</b>       |                           |                              |
| Customer Relationships                | (23,080)                  | (21,501)                     |
| Trade Name                            | (2,520)                   | (2,115)                      |
| Total Accumulated Amortization        | (25,600)                  | (23,616)                     |
| <b>Intangible Assets, Net</b>         | <b>\$ 47,176</b>          | <b>\$ 49,160</b>             |

Amortization expense was \$2.0 million and \$0.6 million for the three months ended March 31, 2019 and 2018, respectively.

Amortization of intangible assets held at March 31, 2019 is expected to be \$6.0 million for the remainder of the year ending December 31, 2019; \$7.9 million for the years ending December 31, 2020 and 2021; \$6.7 million for the year ending December 31, 2022; and \$5.1 million for the year ending December 31, 2023.

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

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

|   | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|---|---------------------------|------------------------------|
| Office Equipment  | \$ 2,154                  | \$ 2,151                     |
| Leasehold Improvements  | 39,981                    | 38,745                       |
| Furniture and Fixtures  | 14,008                    | 13,558                       |
| Total Furniture, Equipment and Leasehold<br>Improvements        | 56,143                    | 54,454                       |
| <b>Accumulated Depreciation</b>                                 | <b>(21,329)</b>           | <b>(19,649)</b>              |
| <b>Furniture, Equipment and Leasehold Improvements,<br/>Net</b> | <b>\$ 34,814</b>          | <b>\$ 34,805</b>             |

Depreciation expense was \$1.6 million and \$1.4 million for the three months ended March 31, 2019 and 2018, respectively.

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

**8. FAIR VALUE MEASUREMENTS**

The following tables summarize the valuation of the Company's investments by the fair value hierarchy:

|                          | March 31, 2019  |                 |             |                 |
|--------------------------|-----------------|-----------------|-------------|-----------------|
|                          | Level I         | Level II        | Level III   | Total           |
| U.S. Treasury Securities | \$ —            | \$ 3,245        | \$ —        | \$ 3,245        |
| Common Stock             | 2,090           | —               | —           | 2,090           |
| Total Investments        | <u>\$ 2,090</u> | <u>\$ 3,245</u> | <u>\$ —</u> | <u>\$ 5,335</u> |

  

|                          | December 31, 2018 |                 |             |                 |
|--------------------------|-------------------|-----------------|-------------|-----------------|
|                          | Level I           | Level II        | Level III   | Total           |
| U.S. Treasury Securities | \$ —              | \$ 3,297        | \$ —        | \$ 3,297        |
| Common Stock             | 2,157             | —               | —           | 2,157           |
| Total Investments        | <u>\$ 2,157</u>   | <u>\$ 3,297</u> | <u>\$ —</u> | <u>\$ 5,454</u> |

Investments in U.S. Treasury securities were included in Cash and Cash Equivalents in the Condensed Consolidated Statements of Financial Condition as of March 31, 2019 and December 31, 2018.

During the three months ended March 31, 2019 and 2018, 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 three months ended March 31, 2019 and 2018.

The carrying value of the loan payable approximates fair value based on Level II inputs.

**9. INCOME TAXES**

The following table summarizes the Company's tax position:

|  | Three Months Ended March 31, |            |
|--|------------------------------|------------|
|  | 2019                         | 2018       |
| Income (Loss) Before Benefit for Taxes | \$ (87)                      | \$ 2,619   |
| Benefit for Taxes                      | \$ (1,024)                   | \$ (4,110) |
| Effective Income Tax Rate              | N/M                          | -156.9%    |

The Company's effective tax rate differed from the U.S. federal statutory tax rate for the three months ended March 31, 2019 due to corporate entities subject to U.S. federal, state, local and foreign income taxes, to non-corporate entities that are subject to New York City Unincorporated Business Tax and to certain compensation charges that are not deductible for income tax purposes.

The change in tax rate between the three months ended March 31, 2019 and 2018 was primarily due to a decreased tax benefit related to the deliveries of vested shares at values in excess of their amortized cost.

As of March 31, 2019, the Company had no unrecognized tax benefits.



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

**10. NET INCOME PER SHARE OF CLASS A COMMON STOCK**

Basic and diluted net income per share of Class A common stock for the three months ended March 31, 2019 and 2018 is presented below:

|   | <b>Three Months Ended March 31,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2019</b>                         | <b>2018</b> |
| <i>Numerator:</i>                                   |                                     |             |
| Net Income Attributable to PJT Partners Inc.        | \$ 1,101                            | \$ 5,236    |
| Less:   |                                     |             |
| Dividends on Participating Securities               | —                                   | 9           |
| Net Income Attributable to Participating Securities | —                                   | 33          |
| Net Income Attributable to Shares of Class A        |                                     |             |
| Common Stock — Basic                                | 1,101                               | 5,194       |
| Incremental Net Income from Dilutive Securities     | 540                                 | 549         |
| Net Income Attributable to Shares of Class A        |                                     |             |
| Common Stock — Diluted                              | \$ 1,641                            | \$ 5,743    |
| <i>Denominator:</i>                                 |                                     |             |
| Weighted-Average Shares of Class A Common           |                                     |             |
| Stock Outstanding — Basic                           | 23,760,876                          | 19,356,876  |
| Weighted-Average Number of Incremental Shares from  |                                     |             |
| Unvested RSUs and Partnership Units                 | 16,259,013                          | 4,530,446   |
| Weighted-Average Shares of Class A Common           |                                     |             |
| Stock Outstanding — Diluted                         | 40,019,889                          | 23,887,322  |
| Net Income Per Share of Class A Common Stock        |                                     |             |
| Basic   | \$ 0.05                             | \$ 0.27     |
| Diluted   | \$ 0.04                             | \$ 0.24     |

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 39,754,828 for the three months ended March 31, 2019, excluding unvested restricted stock units (“RSUs”) and participating RSUs. In computing the dilutive effect, if any, which the aforementioned exchange would have on net income per share, net income 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 three months ended March 31, 2018, such exchange is not reflected in diluted net income per share as the assumed exchange is not dilutive.

The following table summarizes the anti-dilutive securities for the three months ended March 31, 2019 and 2018:

|                                     | <b>Three Months Ended March 31,</b> |             |
|-------------------------------------|-------------------------------------|-------------|
|                                     | <b>2019</b>                         | <b>2018</b> |
| Weighted-Average Unvested RSUs      | (a)                                 | (a)         |
| Weighted-Average Participating RSUs | 51,809                              | 150,790     |
| Weighted-Average Partnership Units  | (a)                                 | 14,520,603  |

(a) These securities were determined to be dilutive.

### Share Repurchase Program

On April 24, 2019, 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, which is in addition to the previous October 26, 2017 authorization, of which \$32.9 million is remaining. Under the 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 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 three months ended March 31, 2019, the Company did not repurchase any shares of Class A common stock pursuant to the share repurchase program. As of March 31, 2019, the available amount remaining for repurchases under the previous authorization was \$32.9 million.

## 11. EQUITY-BASED AND OTHER DEFERRED COMPENSATION

### Overview

Further information regarding the Company’s equity-based compensation awards is described in Note 11. “Equity-Based and Other Deferred Compensation” in the “Notes to Consolidated Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

The following table represents equity-based compensation expense and related income tax benefit for the three months ended March 31, 2019 and 2018, respectively:

|                                   | Three Months Ended March 31, |           |
|-----------------------------------|------------------------------|-----------|
|                                   | 2019                         | 2018      |
| Equity-Based Compensation Expense | \$ 34,973                    | \$ 37,062 |
| Income Tax Benefit                | \$ 3,379                     | \$ 3,239  |

### Restricted Stock Units

A summary of the status of the Company’s unvested RSUs as of March 31, 2019 and for changes during the three months ended March 31, 2019 is presented below:

|                              | Restricted Stock Units |  |                                   |  |
|------------------------------|------------------------|--|-----------------------------------|--|
|                              | PJT Partners Inc.      |  | PJT Partners Holdings LP          |  |
|                              | Number of<br>Units     | Weighted-<br>Average<br>Grant Date<br>Fair Value<br>(in dollars) | Number of<br>Partnership<br>Units | Weighted-<br>Average<br>Grant Date<br>Fair Value<br>(in dollars) |
| Balance, December 31, 2018   | 4,254,205              | \$ 40.99   | 98,295                            | \$ 37.17   |
| Granted                      | 1,825,018              | 44.14  | —                                 | —  |
| Vested                       | (1,767,074)            | 35.52  | (1,255)                           | 26.86  |
| Forfeited                    | (20,692)               | 44.11  | —                                 | —  |
| Dividends Reinvested on RSUs | 5,406                  | 42.66  | —                                 | —  |
| Balance, March 31, 2019      | <u>4,296,863</u>       | \$ 44.57   | <u>97,040</u>                     | \$ 37.30   |

As of March 31, 2019, there was \$138.9 million of estimated unrecognized compensation expense related to unvested RSU awards. This cost is expected to be recognized over a weighted-average period of 1.6 years. The Company assumes a forfeiture rate of 1.0% to 9.0% annually based on expected turnover and periodically reassesses this rate.

**RSU Awards with Both Service and Market Conditions**

A summary of the status of the Company’s unvested RSU awards with both a service and market condition as of March 31, 2019 and for changes during the three months ended March 31, 2019 is presented below:

|                            | <b>RSU Awards with<br/>Both Service and Market<br/>Conditions</b> |   |
|----------------------------|---|---|
|                            | <b>Number of<br/>Units</b>  | <b>Weighted-<br/>Average<br/>Grant Date<br/>Fair Value<br/>(in dollars)</b> |
| Balance, December 31, 2018 | 253,152   | \$ 26.19  |
| Forfeited                  | (2,988)   | 26.19   |
| Balance, March 31, 2019    | <u>250,164</u>  | <u>\$ 26.19</u>   |

As of March 31, 2019, there was \$4.8 million of estimated unrecognized compensation expense related to RSU awards with both a service and market condition. This cost is expected to be recognized over a weighted-average period of 3.5 years. The Company assumes a forfeiture rate of 4.0% to 9.0% annually based on expected turnover and periodically reassesses this rate.

**Restricted Share Awards**

In connection with the acquisition of CamberView, certain individuals were issued restricted shares of the Company’s Class A common stock. Based on the terms of the award, compensation expense will be recognized over four years. For the three months ended March 31, 2019, 3,591 restricted share awards were granted. For the year ended December 31, 2018, 5,100 restricted share awards were granted. As of March 31, 2019, no restricted shares have vested or have forfeited and there was \$0.3 million of estimated unrecognized compensation expense related to restricted share awards. This cost is expected to be recognized over a weighted-average period of 2.5 years.

**Partnership Units**

A summary of the status of the Company’s unvested Partnership Units as of March 31, 2019 and for changes during the three months ended March 31, 2019 is presented below:

|                            | <b>Partnership Units</b>                   |   |
|----------------------------|--|---|
|                            | <b>Number of<br/>Partnership<br/>Units</b> | <b>Weighted-<br/>Average<br/>Grant Date<br/>Fair Value<br/>(in dollars)</b> |
| Balance, December 31, 2018 | 3,323,948                                  | \$ 24.23  |
| Granted                    | 54,212                                     | 38.90   |
| Vested                     | (152,490)                                  | 30.52   |
| Balance, March 31, 2019    | <u>3,225,670</u>                           | <u>\$ 24.18</u>   |

As of March 31, 2019, there was \$32.7 million of estimated unrecognized compensation expense related to unvested Partnership Units. This cost is expected to be recognized over a weighted-average period of 0.7 years. The Company assumes a forfeiture rate of 4.0% annually based on expected turnover and periodically reassesses this rate.

**Partnership Unit Awards with Both Service and Market Conditions**

A summary of the status of the Company’s unvested Partnership Unit awards with both a service and market condition as of March 31, 2019 and for changes during the three months ended March 31, 2019 is presented below:

|                            | <b>Partnership Unit Awards with<br/>Both Service and Market<br/>Conditions</b> |   |
|----------------------------|--|---|
|                            | <b>Number of<br/>Partnership<br/>Units</b>                                     | <b>Weighted-<br/>Average<br/>Grant Date<br/>Fair Value<br/>(in dollars)</b> |
| Balance, December 31, 2018 | 5,118,133  | \$ 5.72   |
| Vested                     | (121,634)  | 5.72  |
| Balance, March 31, 2019    | <u>4,996,499</u>   | <u>\$ 5.72</u>  |

As of March 31, 2019, there was \$3.6 million of estimated unrecognized compensation expense related to Partnership Unit awards with both a service and market condition. This cost is expected to be recognized over a weighted-average period of 0.6 years. The Company assumes a forfeiture rate of 4.0% annually based on expected turnover and periodically reassesses this rate.

**Units Expected to Vest**

The following unvested units, after expected forfeitures, as of March 31, 2019, are expected to vest:

|                           | <b>Units</b>      | <b>Weighted-Average<br/>Service Period<br/>in Years</b> |
|---------------------------|-------------------|---|
| Partnership Units         | 8,179,312         | 0.6   |
| Restricted Stock Units    | 4,356,769         | 1.7   |
| Restricted Share Awards   | 7,179             | 2.5   |
| Total Equity-Based Awards | <u>12,543,260</u> | <u>1.0</u>  |

**Deferred Cash Compensation**

The Company has periodically issued deferred cash compensation in connection with annual incentive compensation as well as other hiring or retention related awards. These awards typically vest over a period of one to four years. Compensation expense related to deferred cash awards was \$6.7 million and \$3.7 million for the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, there was \$53.2 million of unrecognized compensation expense related to these awards. The weighted-average period over which this compensation cost is expected to be recognized is 3.0 years.

**12. LEASES**

The Company adopted the new lease accounting guidance as of January 1, 2019, which is further discussed in Note 2. “Summary of Significant Accounting Policies—Recent Accounting Developments.” The Company determines if an arrangement is, or contains, a lease at inception.

The Company leases office space under non-cancelable lease agreements, which expire at various dates through 2030. The lease arrangements for office space typically contain payments to the lessor for common area maintenance charges and reimbursement for certain other costs that are not fixed. The Company accounts for these costs as variable lease costs and does not include them in the lease component. Such amounts recorded during the three months ended March 31, 2019 are included in the table below. The Company has also entered into arrangements to sublease a portion of its office space, which expire at various dates through 2025.

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

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The Company leases certain office equipment pursuant to finance leases, which expire at various dates through 2022. The Company does not elect the practical expedient to include the non-lease component with the lease component as a single lease component.

Right-of-Use Assets (“ROU assets”) represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. The Company’s lease agreements generally do not provide an implicit rate, so the Company estimates the incremental borrowing rate considering the collateral, term and the economic environment of the lease arrangement with reference to the Company’s term loan. Certain leases may include options to extend or terminate; however, the Company only reflects such renewal or termination option in the lease term when it is reasonably certain to exercise the option.

The Company records ROU assets and lease liabilities for operating leases in Operating Lease Right-of-Use Assets and Operating Lease Liabilities, respectively, on the Condensed Consolidated Statements of Financial Condition. The Company records ROU assets and lease liabilities for finance leases in Furniture, Equipment and Leasehold Improvements, Net and Accounts Payable, Accrued Expenses and Other Liabilities, respectively, on the Condensed Consolidated Statements of Financial Condition.

The Company does not record ROU assets or lease liabilities for leases with a term of twelve months or less. Lease expense for such leases is recognized on a straight-line basis.

For the three months ended March 31, 2019, the components of lease expense were as follows:

|                                     |    |              |
|-------------------------------------|----|--------------|
| Operating Lease Cost                | \$ | 5,807        |
| Finance Lease Cost                  |    |              |
| Amortization of Right-of-Use Assets |    | 38           |
| Interest on Lease Liabilities       |    | 2            |
| Total Finance Lease Cost            |    | 40           |
| Short-Term Lease Cost               |    | 116          |
| Variable Lease Cost                 |    | 574          |
| Sublease Income                     |    | (910)        |
| Total Lease Cost                    | \$ | <u>5,627</u> |

Supplemental information related to leases was as follows for the three months ended March 31, 2019:

|   |    |         |
|---|----|---------|
| <b>Cash Paid for Amounts Included in Measurement of Lease Liabilities</b> |    |         |
| Operating Cash Flows from Operating Leases                                | \$ | 5,137   |
| Operating Cash Flows from Finance Leases                                  |    | 3       |
| Financing Cash Flows from Finance Leases                                  |    | 40      |
| <b>Right-of-Use Assets Obtained in Exchange for Lease Liabilities</b>     |    |         |
| Operating Leases  | \$ | 149,581 |
| Finance Leases  |    | 5       |
| <b>Weighted-Average Remaining Lease Term (in years)</b>                   |    |         |
| Operating Leases  |    | 8.2     |
| Finance Leases  |    | 1.7     |
| <b>Weighted-Average Discount Rate</b>                                     |    |         |
| Operating Leases  |    | 4.9 %   |
| Finance Leases  |    | 3.2 %   |

**PJT Partners Inc.**  
**Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)**  
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For the three months ended March 31, 2018, rent expense was \$6.2 million. Rent expense is included in Occupancy and Related in the Condensed Consolidated Statements of Operations. This amount includes escalation payments, which are paid when invoiced.

As of March 31, 2019 and December 31, 2018, the Company maintained an irrevocable standby letter of credit for certain operating leases of \$4.8 million and \$4.7 million, respectively.

The following is a maturity analysis of the annual undiscounted cash flows of the finance and operating lease liabilities as of March 31, 2019:

| <u>Year Ending December 31,</u>    | <u>Finance</u> | <u>Operating</u>  |
|------------------------------------|----------------|-------------------|
| 2019 (April 1 through December 31) | \$ 126         | \$ 18,700         |
| 2020                               | 128            | 22,861            |
| 2021                               | 11             | 24,938            |
| 2022                               | 1              | 24,858            |
| 2023                               | —              | 24,894            |
| Thereafter                         | —              | 81,123            |
| Total Lease Payments               | 266            | 197,374           |
| Less: Imputed Interest             | 7              | 36,173            |
| Total                              | <u>\$ 259</u>  | <u>\$ 161,201</u> |

As of December 31, 2018, the aggregate minimum future payments required on non-cancelable leases, under legacy accounting guidance, were as follows:

| <u>Year Ending December 31,</u>    | <u>Minimum Lease Payments</u> |                   |
|------------------------------------|-------------------------------|-------------------|
|                                    | <u>Capital</u>                | <u>Operating</u>  |
| 2019                               | \$ 130                        | \$ 26,877         |
| 2020                               | 104                           | 23,445            |
| 2021                               | 9                             | 22,305            |
| 2022                               | 2                             | 22,190            |
| 2023                               | —                             | 22,227            |
| Thereafter                         | —                             | 67,871            |
| Total Minimum Lease Payments       | 245                           | 184,915           |
| Less: Amount Representing Interest | 11                            |                   |
| Capital Lease Obligation           | <u>\$ 234</u>                 |                   |
| Less: Sublease Proceeds            |                               | 14,182            |
| Net Minimum Lease Payments         |                               | <u>\$ 170,733</u> |

### 13. TRANSACTIONS WITH RELATED PARTIES

#### 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.

Further information regarding the exchange agreement is described in Note 13. “Transactions with Related Parties—Exchange Agreement” in the “Notes to Consolidated Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Certain Partnership Unitholders exchanged 216,330 and 533,799 Partnership Units, respectively, for cash in the amounts of \$9.4 million and \$24.3 million, respectively, for the three months ended March 31, 2019 and 2018. Such amounts are recorded as a reduction of Non-Controlling Interests in the Condensed Consolidated Statements of Financial Condition.

During the first quarter of 2019, the Company was presented with 13,995 Partnership Units to be exchanged. The Company will settle the exchange of these Partnership Units on May 8, 2019 for cash for an aggregate payment of \$0.6 million. The price per Partnership Unit to be paid by the Company is \$43.79, which is equal to the volume-weighted average price of a share of the Company’s Class A common stock on May 3, 2019.

#### **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. The registration rights agreement does not contain any penalties associated with failure to file or maintain the effectiveness of a registration statement covering the shares owned by individuals covered by such agreement.

#### **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 March 31, 2019 and December 31, 2018, the Company had amounts due of \$9.1 million and \$8.5 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 condensed consolidated financial statements.

### **14. COMMITMENTS AND CONTINGENCIES**

#### **Commitments**

##### *Line of Credit*

On October 1, 2018, PJT Partners Holdings LP, as borrower (“Borrower”) entered into an Amended and Restated Loan Agreement (the “Amended and Restated Loan Agreement”) and related documents with First Republic Bank, as lender (the “Lender”). The Amended and Restated Loan Agreement provides for a revolving credit facility with aggregate commitments in an amount equal to \$40.0 million, which aggregate commitments may be increased, on the terms and subject to the conditions set forth in the Amended and Restated Loan Agreement, to up to \$60.0 million during the period beginning December 1 each year through March 1 of the following year. The revolving credit facility will mature and the commitments thereunder will terminate on October 1, 2020, subject to extension by agreement of the Borrower and Lender.

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

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As of March 31, 2019 and December 31, 2018, there were no outstanding borrowings under the revolving credit facility.

*Term Loan*

The Amended and Restated Loan Agreement also provides for a term loan with an aggregate commitment of \$30.0 million (the “Term Loan”). The Term Loan matures on January 2, 2021. In addition to the payment of interest described below, Borrower shall pay to the Lender installment payments of principal in the amount of (a) \$4.25 million on July 1, 2019 and quarterly thereafter to January 2, 2021, and (b) \$4.5 million on January 2, 2021.

The Amended and Restated Loan Agreement requires the Borrower to maintain certain minimum financial covenants and limits or restricts the ability of the Borrower (subject to certain qualifications and exceptions) to incur additional indebtedness in excess of \$20.0 million. Borrowings under the Amended and Restated Loan Agreement are secured by the accounts receivable of Park Hill Group LLC and PJT Partners LP.

Outstanding borrowings under the revolving credit facility bear interest equal to the greater of a per annum rate of (a) 3%, or (b) the prime rate minus 1.0%. Outstanding borrowings under the Term Loan bear interest equal to the greater of a per annum rate of (a) 3.25%, or (b) the prime rate minus 0.75%. During an event of default, overdue principal under both the revolving credit facility and Term Loan bear interest at a rate 2.0% in excess of the otherwise applicable rate of interest. In connection with the closing of the Amended and Restated Loan Agreement, the Borrower paid the Lender certain closing costs and fees. In addition, on and after the closing date, the Borrower will also pay a commitment fee on the undrawn portion of the revolving credit facility of 0.125% per annum, payable quarterly in arrears.

As of March 31, 2019 and December 31, 2018, the Company was in compliance with the debt covenants under the Amended and Restated Loan Agreement.

As of March 31, 2019, the future scheduled principal payments on the Term Loan were as follows:

| <u>Year Ending December 31,</u> |           |               |
|---------------------------------|-----------|---------------|
| 2019                            | \$        | 8,500         |
| 2020                            |           | 17,000        |
| 2021                            |           | 4,500         |
|                                 | <u>\$</u> | <u>30,000</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 condensed consolidated financial statements of the Company.

As previously disclosed, with respect to actual and potential additional claims related to funds fraudulently obtained by Andrew Caspersen, the Company believes that any such claims are without merit and the Company will vigorously defend any such matters.

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.



*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 was \$8.1 million and \$8.9 million as of March 31, 2019 and December 31, 2018, respectively. In connection with this guarantee, the Company currently expects any associated risk of loss to be insignificant.

*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**

*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 Condensed Consolidated 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 \$0.9 million as of March 31, 2019 and December 31, 2018.

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 Condensed Consolidated Statements of Operations and is payable annually (for periods in which a cash benefit is realized) within nine months of the end of the relevant tax period. As of March 31, 2019 and December 31, 2018, the Company had accrued \$1.3 million and \$4.3 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.

**15. EMPLOYEE BENEFIT PLANS**

The Company contributes to employer sponsored defined contribution plans for certain of its employees, subject to eligibility and statutory requirements. The Company incurred expenses with respect to these defined contribution plans in the amounts of \$0.6 million and \$0.4 million for the three months ended March 31, 2019 and 2018, respectively, which are included in Compensation and Benefits in the Condensed Consolidated Statements of Operations.

**16. 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, shareholder engagement 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 \$12.8 million and \$10.6 million as of March 31, 2019 and December 31, 2018, respectively, which exceeded the minimum net capital requirement by \$12.0 million and \$8.1 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 \$8.1 million and \$15.0 million as of March 31, 2019 and December 31, 2018, respectively, which exceeded the minimum net capital requirement by \$7.9 million and \$14.7 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 (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 March 31, 2019 and December 31, 2018, both of these entities were in compliance with local capital adequacy requirements.

**17. BUSINESS INFORMATION**

The Company’s activities providing strategic advisory, shareholder engagement, 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.

**PJT Partners Inc.**  
**Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)**  
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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.

|                 | Three Months Ended March 31, |                   |
|-----------------|------------------------------|-------------------|
|                 | 2019                         | 2018              |
| <b>Revenues</b> |                              |                   |
| Domestic        | \$ 122,294                   | \$ 111,595        |
| International   | 5,762                        | 22,447            |
| Total           | <u>\$ 128,056</u>            | <u>\$ 134,042</u> |
|                 |                              |                   |
|                 | March 31,                    | December 31,      |
|                 | 2019                         | 2018              |
| <b>Assets</b>   |                              |                   |
| Domestic        | \$ 686,006                   | \$ 628,437        |
| International   | 80,340                       | 43,380            |
| Total           | <u>\$ 766,346</u>            | <u>\$ 671,817</u> |

The Company had one client that represented 15.6% of total revenues for the three months ended March 31, 2019. The Company is not subject to any material concentrations with respect to its revenues for the three months ended March 31, 2018 or credit risk with respect to its accounts receivable as of March 31, 2019 and December 31, 2018.

**18. 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 June 19, 2019 to Class A common stockholders of record on June 5, 2019.

The Company did not identify any other subsequent events besides those described in Note 10. "Net Income Per Share of Class A Common Stock—Share Repurchase Program" and Note 13. "Transactions with Related Parties—Exchange Agreement."

## ITEM 2. 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' Condensed Consolidated Financial Statements and the related notes included in this Quarterly Report on Form 10-Q.*

### Our Business

PJT Partners is a global advisory-focused investment bank. Our team of senior professionals delivers a wide array of strategic advisory, shareholder engagement, 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 PJT Park Hill, private fund advisory and fundraising 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. In October 2018, we acquired Camberview Partners Holdings, LLC ("CamberView" or "PJT Camberview"). PJT Camberview brings together the world's leading experts from the investor community to help public companies understand, engage and succeed with their investors in complex and contested shareholder matters by developing insightful strategies, effective tactics and high impact messaging.
- 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.
- PJT Park Hill, our private fund advisory and placement business, is a world-leading fund placement agent and provides private fund advisory and fundraising services for a diverse range of investment strategies. Moreover, PJT Park Hill 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. See "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 for a discussion of some of the factors that can affect our performance.

M&A is a cyclical business that is impacted by macroeconomic conditions. According to Refinitiv, worldwide M&A announced volumes during the first quarter of 2019 were down 18% versus the comparable prior period in 2018, but still the fourth strongest first quarter since records began in 1980.<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 in the first quarter remained muted given the continued low default rate credit environment. However, our restructuring and special situations business maintained strong momentum and market share with new mandates across a broad spectrum of industries including energy; retail; healthcare; pharmaceuticals; and technology, media and telecommunications.

<sup>1</sup> Source: Refinitiv. Aggregate mergers and acquisitions values extracted from the official Refinitiv Mergers & Acquisitions Review for First Quarter 2019, based on figures extracted from Refinitiv databases as of March 29, 2019.

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. with an original deadline for withdrawal at the end of March 2019, which has now been extended to October 31, 2019. The full impact of Brexit remains uncertain and the political climate in Europe continues to take shape. The future terms of the U.K.’s relationship with the E.U. are still being determined. We expect that circumstances relating to Brexit will impact the Company’s organization and/or operations and we are taking preparatory steps accordingly.

## **Key Financial Measures**

### ***Revenues***

Substantially all of our revenues are derived from Advisory Fees and Placement Fees. This revenue is 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, shareholder 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 PJT Park Hill 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 recognized 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, 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 PJT Park Hill 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.

Fund placement fees earned for services provided to alternative asset managers are typically recognized 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 over time as commitments are accepted. Fees for such closed-end fund arrangements are generally paid in 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, the constraint on variable consideration is lifted upon each closing. For open-end fund structures, placement fees are typically calculated as a percentage of a placed investor’s month-end net asset value. Typically, we earn fees for such open-end fund structures over a 48 month period. For these arrangements, revenue is recognized over time as the constraint over variable consideration is lifted.

We may receive non-refundable up-front fees in our contracts with customers, which are recorded as revenues in the period over which services are estimated to be provided.

*Interest Income and Other* – Interest Income and Other represents interest typically earned on Cash and Cash Equivalents, 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 amount of expense reimbursement invoiced to clients related to out-of-pocket expenses. 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, Net in the Condensed Consolidated Statements of Financial Condition.

### **Expenses**

*Compensation and Benefits* – Compensation and Benefits expense includes salaries, cash 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, compensation adjustments in relation to market movements, 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 equity-based awards) 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 The Blackstone Group L.P. (“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.

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

PJT Partners Inc. is 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).

#### 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.

#### Condensed Consolidated Results of Operations

The following table sets forth our condensed consolidated results of operations for the three months ended March 31, 2019 and 2018:

|  | <u>Three Months Ended March 31,</u> |                 | <u>Change</u> |
|--|-------------------------------------|-----------------|---------------|
|  | <u>2019</u>                         | <u>2018</u>     |               |
|  | (Dollars in Thousands)              |                 |               |
| <b>Revenues</b>  |                                     |                 |               |
| Advisory Fees  | \$ 104,467                          | \$ 103,463      | 1 %           |
| Placement Fees   | 23,312                              | 26,120          | (11)%         |
| Interest Income and Other  | 277                                 | 4,459           | (94)%         |
| <b>Total Revenues</b>  | <u>128,056</u>                      | <u>134,042</u>  | <u>(4)%</u>   |
| <b>Expenses</b>  |                                     |                 |               |
| Compensation and Benefits  | 95,151                              | 103,632         | (8)%          |
| Occupancy and Related  | 7,136                               | 6,803           | 5%            |
| Travel and Related   | 6,959                               | 5,470           | 27%           |
| Professional Fees  | 5,802                               | 5,199           | 12%           |
| Communications and Information Services                            | 3,213                               | 3,480           | (8)%          |
| Depreciation and Amortization                                      | 3,620                               | 2,007           | 80%           |
| Other Expenses   | 6,262                               | 4,832           | 30%           |
| <b>Total Expenses</b>  | <u>128,143</u>                      | <u>131,423</u>  | <u>(2)%</u>   |
| <b>Income (Loss) Before Benefit for Taxes</b>                      | (87)                                | 2,619           | N/M           |
| <b>Benefit for Taxes</b>   | (1,024)                             | (4,110)         | 75%           |
| <b>Net Income</b>  | 937                                 | 6,729           | (86)%         |
| <b>Net Income (Loss) Attributable to Non-Controlling Interests</b> | (164)                               | 1,493           | N/M           |
| <b>Net Income Attributable to PJT Partners Inc.</b>                | <u>\$ 1,101</u>                     | <u>\$ 5,236</u> | <u>(79)%</u>  |

N/M Not meaningful.

## Revenues

The following table provides revenue statistics for the three months ended March 31, 2019 and 2018:

|  | Three Months Ended March 31, |        |
|--|------------------------------|--------|
|  | 2019                         | 2018   |
| <b>Advisory Fees</b>   |                              |        |
| Number of Clients  | 174                          | 80     |
| Number of Fee-Paying Clients with \$1 Million or More                        | 20                           | 27     |
| Number of Fee-Paying Clients Representing Greater than 10% of Advisory Fees  | 1                            | —      |
| Percentage of Such Clients' Fees of Total Advisory Fees                      | 19.1 %                       | —      |
| <b>Placement Fees</b>  |                              |        |
| Number of Clients  | 39                           | 52     |
| Number of Fee-Paying Clients with \$1 Million or More                        | 9                            | 7      |
| Number of Fee-Paying Clients Representing Greater than 10% of Placement Fees | 2                            | 1      |
| Percentage of Such Clients' Fees of Total Placement Fees                     | 30.1 %                       | 19.5 % |

Total Revenues were \$128.1 million for the three months ended March 31, 2019, a decrease of \$6.0 million compared with \$134.0 million for the three months ended March 31, 2018. Advisory Fees were \$104.5 million for the three months ended March 31, 2019, up slightly compared with \$103.5 million for the three months ended March 31, 2018. Placement Fees were \$23.3 million for the three months ended March 31, 2019, a decrease of \$2.8 million compared with \$26.1 million for the three months ended March 31, 2018. The decrease in Placement Fees was primarily driven by a decrease in private equity fund closings during the three months ended March 31, 2019. Interest Income and Other was \$0.3 million for the three months ended March 31, 2019, a decrease of \$4.2 million compared with \$4.5 million for the three months ended March 31, 2018. The decrease in Interest Income and Other was primarily driven by foreign currency fluctuations and a decrease in reimbursable expenses billed to clients.

## Expenses

Expenses were \$128.1 million for the three months ended March 31, 2019, a decrease of \$3.3 million compared with \$131.4 million for the three months ended March 31, 2018. The decrease in expenses was primarily attributable to a decrease in Compensation and Benefits of \$8.5 million and partially offset by increases in Depreciation and Amortization, Travel and Related and Other Expenses of \$1.6 million, \$1.5 million and \$1.4 million, respectively. The decrease in Compensation and Benefits reflected lower revenues during the three months ended March 31, 2019. The increase in Depreciation and Amortization was primarily due to additional amortization expense related to intangible assets recorded in the acquisition of CamberView during the fourth quarter of 2018. The increase in Travel and Related was primarily related to increased headcount and business activity. The increase in Other Expenses was driven by interest expense primarily resulting from the acquisition of CamberView and additional market data costs associated with increased headcount and business activity.

## Benefit for Taxes

The Company's Benefit for Taxes for the three months ended March 31, 2019 was \$1.0 million on pretax loss of \$0.1 million. The effective tax rate was not meaningful for the three months ended March 31, 2019. The Company's Benefit for Taxes for the three months ended March 31, 2018 was \$4.1 million, which represents an effective tax rate of -156.9% on pretax income of \$2.6 million.

The Company's effective tax rate differed from the U.S. federal statutory tax rate for the three months ended March 31, 2019 due to corporate entities subject to U.S. federal, state, local and foreign income taxes, to non-corporate entities that are subject to New York City Unincorporated Business Tax and to certain compensation charges that are not deductible for income tax purposes.



The change in tax rate between the three months ended March 31, 2019 and 2018 was primarily due to a decreased tax benefit related to the deliveries of vested shares at values in excess of their amortized cost

#### *Non-Controlling Interests*

Net Income (Loss) Attributable to Non-Controlling Interests is derived from the Income Before Provision (Benefit) for Taxes and the percentage allocation of the net 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).

### **Liquidity and Capital Resources**

#### ***General***

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

Our assets have historically been comprised of cash and cash equivalents, investments 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.

Information regarding our Amended and Restated Loan Agreement can be found in "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2018.

As of March 31, 2019 and December 31, 2018, we were in compliance with the debt covenants under the Amended and Restated Loan Agreement.

We evaluate our cash needs on a regular basis in light of current market conditions. As of March 31, 2019 and December 31, 2018, we had cash, cash equivalents and investments of \$56.4 million and \$108.3 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 March 31, 2019 and December 31, 2018, total accounts receivable were \$203.9 million and \$217.8 million, respectively, net of allowance for doubtful accounts of \$0.3 million and \$0.7 million, respectively. Included in Accounts Receivable are long-term receivables of \$69.1 million and \$77.9 million as of March 31, 2019 and December 31, 2018, 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, repurchasing shares of the Company's Class A common stock, 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 16. “Regulated Entities” in the “Notes to Condensed Consolidated Financial Statements” in “—Item 1. Financial Statements” of this filing for further information. The licenses under which we operate are meant to be appropriate to conduct our strategic advisory, shareholder engagement, 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 April 24, 2019, 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, which is in addition to the previous October 26, 2017 authorization, of which \$32.9 million is remaining. Under the 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 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 three months ended March 31, 2019, we did not repurchase any shares of Class A common stock pursuant to the share repurchase program. As of March 31, 2019, the available amount remaining for repurchases under the previous authorization was \$32.9 million.

## **Contractual Obligations**

For a discussion of our contractual obligations, refer to “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations” in our Annual Report on Form 10-K for the year ended December 31, 2018. There have not been any material changes to our contractual obligations since December 31, 2018.

## **Commitments and Contingencies**

### ***Litigation***

As previously disclosed, with respect to actual and potential additional claims related to funds fraudulently obtained by Andrew 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 was \$8.1 million and \$8.9 million as of March 31, 2019 and December 31, 2018, respectively. In connection with this guarantee, the Company currently expects any associated risk of loss to be insignificant.

### ***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.

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

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.

Further information regarding the tax receivable agreement can be found in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2018.

### ***Other***

See Notes 9, 11, 14 and 15 in the “Notes to Condensed Consolidated Financial Statements” in “—Item 1. Financial Statements” of this filing for further information in connection with income taxes, equity compensation plans, commitments and employee benefit plans, respectively.

### **Critical Accounting Policies**

Our significant accounting policies are summarized in Note 2. “Summary of Significant Accounting Policies” in the “Notes to Consolidated Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” in our Annual Report on Form 10-K for the year ended December 31, 2018. A discussion of critical accounting policies is included in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2018. The Company has updated its significant accounting policies with respect to the adoption of new leasing guidance as of January 1, 2019 and included this information in Note 12. “Leases” in the “Notes to Condensed Consolidated Financial Statements” in “—Item 1. Financial Statements” of this filing.

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

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

### **Recent Accounting Developments**

Information regarding recent accounting developments and their impact on our financial statements can be found in Note 2. “Summary of Significant Accounting Policies” in the “Notes to Condensed Consolidated Financial Statements” in “—Item 1. Financial Statements” of this filing.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Quantitative and qualitative disclosures about market risk can be found in “Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2018. Our exposures to market risk have not changed materially since December 31, 2018.

### **ITEM 4. CONTROLS AND PROCEDURES**

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

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

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

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, 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.

**ITEM 1A. RISK FACTORS**

There were no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

The risks described in our Annual Report on Form 10-K for the year ended December 31, 2018 and in our subsequently filed Quarterly Reports on Form 10-Q are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Issuer Purchases of Equity Securities in the First Quarter of 2019**

|                           | <b>Total Number<br/>of Shares<br/>Repurchased</b> | <b>Average Price<br/>Paid Per Share</b> | <b>Total Number of<br/>Shares<br/>Purchased as<br/>Part of Publicly<br/>Announced Plans<br/>or Programs (a)</b> | <b>Approximate<br/>Dollar<br/>Value of Shares<br/>that May Yet Be<br/>Purchased<br/>Under the Plans or<br/>Programs (a)</b> |
|---------------------------|---|---|---|---|
| January 1 to January 31   | —   | \$ —                                    | —   | \$ 32.9 million   |
| February 1 to February 28 | —   | —                                       | —   | 32.9 million  |
| March 1 to March 31       | —   | —                                       | —   | 32.9 million  |
| Total                     | —   | \$ —                                    | —   | \$ 32.9 million   |

- (a) On April 24, 2019, 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, which is in addition to the previous October 26, 2017 authorization, of which \$32.9 million is remaining. Under the 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 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**

In connection with the issuance during the first quarter of 2019 of LTIP Units in PJT Partners Holdings LP to certain personnel, 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.

During the first quarter of 2019, in connection with the settlement of escrow balances related to the acquisition of CamberView, the Company issued an additional (i) 49,764 shares of Class A common stock and (ii) 44,899 Partnership Units in PJT Partners Holdings LP to four former unitholders of CamberView. The Partnership Units in PJT Partners Holdings LP issued may be exchanged 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, subject to applicable vesting and transfer restrictions. The Securities and Exchange Commission declared a registration statement effective on November 21, 2018 on Form S-3 (File No. 333-228517) registering the resale of the securities issued in connection with the closing of the acquisition.

The Class A common stock and Partnership Units in PJT Partners Holdings LP described above were issued solely to "accredited investors" in reliance on the exemption from registration afforded by Rule 506(b) of Regulation D promulgated under Section 4(a)(2) of the Securities Act of 1933, as amended. In connection with the sale of these securities, the Company relied on each of the former unitholders' written representations that it was an "accredited investor" as defined in Rule 501(a) of the Securities and Exchange Commission

### **Dividend Policy**

The Company declared a dividend of \$0.05 per share of Class A common stock in the first quarter of 2019 and plans to regularly pay quarterly dividends.

Refer to "Part II. Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in our Annual Report on Form 10-K for the year ended December 31, 2018 for further disclosure of the Company's dividend policy.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

Not applicable.

ITEM 6. EXHIBITS

| Exhibit Number | Exhibit Description  |
|----------------|--|
| +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>  |
| 3.2            | <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>Amended and Restated PJT Partners Inc. 2015 Omnibus Incentive Plan (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 April 25, 2019).</u></a>  |
| 31.1           | <a href="#"><u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).</u></a>  |
| 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.  |

+ Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. The descriptions of the omitted schedules and exhibits are contained within the relevant agreement. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request.

\* Indicates management or compensation 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.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 7, 2019

**PJT Partners Inc.**

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

By: /s/ Helen T. Meates  
Name: Helen T. Meates  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)



## CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Paul J. Taubman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 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: May 7, 2019

/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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 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: May 7, 2019

/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 Quarterly Report of PJT Partners Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2019, 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: May 7, 2019

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

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\* 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 Quarterly Report of PJT Partners Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2019, 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: May 7, 2019

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

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\* 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.