

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 SEPTEMBER 30, 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)

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

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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

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

As of October 28, 2019, there were 23,086,207 shares of Class A common stock, par value \$0.01 per share, and 207 shares of Class B common stock, par value \$0.01 per share, outstanding.

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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 Inc. (“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,” “opportunity,” “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)**

	September 30, 2019	December 31, 2018
<b>Assets</b>		
Cash and Cash Equivalents	\$ 108,039	\$ 106,110
Investments	10,187	2,157
Accounts Receivable (net of allowance for doubtful accounts of \$510 and \$726 at September 30, 2019 and December 31, 2018, respectively)	255,870	217,768
Intangible Assets, Net	41,734	49,160
Goodwill	172,725	176,031
Furniture, Equipment and Leasehold Improvements, Net	35,864	34,805
Operating Lease Right-of-Use Assets	135,283	—
Other Assets	42,137	26,935
Deferred Tax Asset, Net	54,479	58,851
<b>Total Assets</b>	<b>\$ 856,318</b>	<b>\$ 671,817</b>
<b>Liabilities and Equity (Deficit)</b>		
Accrued Compensation and Benefits	\$ 104,209	\$ 89,642
Accounts Payable, Accrued Expenses and Other Liabilities	20,575	24,657
Operating Lease Liabilities	150,833	—
Deferred Rent Liability	—	16,417
Amount Due Pursuant to Tax Receivable Agreement	8,989	8,456
Taxes Payable	2,992	7,040
Deferred Revenue	8,767	7,856
Loan Payable	25,750	30,000
<b>Total Liabilities</b>	<b>322,115</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; 25,508,471 and 23,940,185 issued at September 30, 2019 and December 31, 2018, respectively; 23,074,837 and 22,586,787 outstanding at September 30, 2019 and December 31, 2018, respectively)	251	240
Class B Common Stock, par value \$0.01 per share (1,000,000 shares authorized; 207 issued and outstanding at September 30, 2019; 199 issued and outstanding at December 31, 2018)	—	—
Additional Paid-In Capital	277,566	210,939
Accumulated Deficit	(160,573)	(169,836)
Accumulated Other Comprehensive Loss	(1,129)	(627)
Treasury Stock at Cost (2,433,634 and 1,353,398 shares at September 30, 2019 and December 31, 2018, respectively)	(110,639)	(67,172)
<b>Total PJT Partners Inc. Equity (Deficit)</b>	<b>5,476</b>	<b>(26,456)</b>
<b>Non-Controlling Interests</b>	<b>528,727</b>	<b>514,205</b>
<b>Total Equity</b>	<b>534,203</b>	<b>487,749</b>
<b>Total Liabilities and Equity</b>	<b>\$ 856,318</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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Revenues</b>				
Advisory Fees	\$ 146,075	\$ 117,161	\$ 383,577	\$ 318,918
Placement Fees	25,596	18,229	77,603	72,481
Interest Income and Other	2,556	4,753	7,807	13,456
<b>Total Revenues</b>	<u>174,227</u>	<u>140,143</u>	<u>468,987</u>	<u>404,855</u>
<b>Expenses</b>				
Compensation and Benefits	123,040	99,875	337,356	297,780
Occupancy and Related	7,883	6,641	22,821	20,017
Travel and Related	5,567	5,449	19,247	16,906
Professional Fees	6,120	6,072	17,589	15,290
Communications and Information Services	3,365	2,781	10,071	9,521
Depreciation and Amortization	3,454	2,263	10,709	6,362
Other Expenses	5,015	4,980	17,906	14,140
<b>Total Expenses</b>	<u>154,444</u>	<u>128,061</u>	<u>435,699</u>	<u>380,016</u>
<b>Income Before Provision (Benefit) for Taxes</b>	<u>19,783</u>	<u>12,082</u>	<u>33,288</u>	<u>24,839</u>
<b>Provision (Benefit) for Taxes</b>	<u>5,002</u>	<u>(197)</u>	<u>7,544</u>	<u>(5,189)</u>
<b>Net Income</b>	<u>14,781</u>	<u>12,279</u>	<u>25,744</u>	<u>30,028</u>
<b>Net Income Attributable to</b>				
<b>Non-Controlling Interests</b>	<u>7,956</u>	<u>4,729</u>	<u>12,992</u>	<u>10,297</u>
<b>Net Income Attributable to PJT Partners Inc.</b>	<u>\$ 6,825</u>	<u>\$ 7,550</u>	<u>\$ 12,752</u>	<u>\$ 19,731</u>
<b>Net Income Per Share of Class A Common Stock</b>				
Basic	<u>\$ 0.28</u>	<u>\$ 0.34</u>	<u>\$ 0.53</u>	<u>\$ 0.91</u>
Diluted	<u>\$ 0.28</u>	<u>\$ 0.33</u>	<u>\$ 0.52</u>	<u>\$ 0.85</u>
<b>Weighted-Average Shares of Class A Common Stock Outstanding</b>				
Basic	<u>24,013,033</u>	<u>22,275,847</u>	<u>24,107,179</u>	<u>21,425,766</u>
Diluted	<u>24,973,570</u>	<u>24,112,349</u>	<u>25,024,084</u>	<u>24,047,660</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net Income	\$ 14,781	\$ 12,279	\$ 25,744	\$ 30,028
Other Comprehensive Loss, Net of Tax —				
Currency Translation Adjustment	(974)	(151)	(941)	(613)
Comprehensive Income	13,807	12,128	24,803	29,415
Less:				
Comprehensive Income Attributable to Non- Controlling Interests	7,496	4,655	12,553	9,989
Comprehensive Income Attributable to PJT Partners Inc.	<u>\$ 6,311</u>	<u>\$ 7,473</u>	<u>\$ 12,250</u>	<u>\$ 19,426</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 Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non- Controlling Interests	Total
	Class A Common Stock	Class B Common Stock	Treasury Stock								
<b>Balance at December 31, 2017</b>	18,599,454	221	(60,333)	\$ 186	\$ —	\$ 23,891	\$ (185,991)	\$ 155	\$ (2,302)	\$ 586,515	\$ 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)	—	—	—	81,350	—	—	—	(105,428)	(24,078)
Treasury Stock Purchases	—	—	(81,810)	—	—	—	—	—	(3,890)	—	(3,890)
<b>Balance at March 31, 2018</b>	19,734,501	215	(142,143)	197	—	111,519	(188,418)	559	(6,192)	494,341	412,006
Net Income	—	—	—	—	—	—	6,945	—	—	4,075	11,020
Other Comprehensive Loss	—	—	—	—	—	—	—	(632)	—	(599)	(1,231)
Dividends Declared (\$0.05 Per Share of Class A Common Stock)	—	—	—	—	—	—	(1,115)	—	—	—	(1,115)
Tax Distributions	—	—	—	—	—	—	—	—	—	(15)	(15)
Equity-Based Compensation	—	—	—	—	—	15,774	—	—	—	11,318	27,092
Forfeiture Liability for Equity Awards	—	—	—	—	—	18	—	—	—	—	18
Net Share Settlement	—	—	—	—	—	(1,584)	—	—	—	—	(1,584)
Deliveries of Vested Shares of Class A Common Stock	1,527,115	—	—	16	—	(16)	—	—	—	—	—
Change in Ownership Interest	—	(2)	—	—	—	(39,520)	—	—	—	33,042	(6,478)
Treasury Stock Purchases	—	—	(396,984)	—	—	—	—	—	(21,837)	—	(21,837)
<b>Balance at June 30, 2018</b>	21,261,616	213	(539,127)	\$ 213	\$ —	\$ 86,191	\$ (182,588)	\$ (73)	\$ (28,029)	\$ 542,162	\$ 417,876

(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 Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Non- Controlling Interests	Total
	Class A Common Stock	Class B Common Stock	Treasury Stock								
<b>Balance at June 30, 2018</b>	21,261,616	213	(539,127)	\$ 213	\$ —	\$ 86,191	\$ (182,588)	\$ (73)	\$ (28,029)	\$ 542,162	\$ 417,876
Net Income	—	—	—	—	—	—	7,550	—	—	4,729	12,279
Other Comprehensive Loss	—	—	—	—	—	—	—	(77)	—	(74)	(151)
Dividends Declared (\$0.05 Per Share of Class A Common Stock)	—	—	—	—	—	—	(1,072)	—	—	—	(1,072)
Tax Distributions	—	—	—	—	—	—	—	—	—	—	—
Equity-Based Compensation	—	—	—	—	—	15,810	—	—	—	10,562	26,372
Forfeiture Liability for Equity Awards	—	—	—	—	—	(654)	—	—	—	—	(654)
Net Share Settlement	—	—	—	—	—	(629)	—	—	—	—	(629)
Deliveries of Vested Shares of Class A Common Stock	734,985	—	—	7	—	(7)	—	—	—	—	—
Change in Ownership Interest	—	(5)	—	—	—	(7,805)	—	—	—	(6,763)	(14,568)
Treasury Stock Purchases	—	—	(186,507)	—	—	—	—	—	(10,070)	—	(10,070)
<b>Balance at September 30, 2018</b>	<u>21,996,601</u>	<u>208</u>	<u>(725,634)</u>	<u>\$ 220</u>	<u>\$ —</u>	<u>\$ 92,906</u>	<u>\$ (176,110)</u>	<u>\$ (150)</u>	<u>\$ (38,099)</u>	<u>\$ 550,616</u>	<u>\$ 429,383</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 Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non- Controlling Interests	Total
	Class A Common Stock	Class B Common Stock	Treasury Stock								
<b>Balance at December 31, 2018</b>	23,940,185	199	(1,353,398)	\$ 240	\$ —	\$ 210,939	\$ (169,836)	\$ (627)	\$ (67,172)	\$ 514,205	\$ 487,749
Net Income (Loss)	—	—	—	—	—	—	1,101	—	—	(164)	937
Other Comprehensive Income	—	—	—	—	—	—	—	660	—	—	1,261
Dividends Declared (\$0.05 Per Share of Class A Common Stock)	—	—	—	—	—	—	(1,188)	—	—	—	(1,188)
Equity-Based Compensation	—	—	—	—	—	23,884	—	—	—	11,089	34,973
Forfeiture Liability for Equity Awards	—	—	—	—	—	6	—	—	—	—	6
Net Share Settlement	—	—	—	—	—	(8,604)	—	—	—	—	(8,604)
Deliveries of Vested Shares of Class A Common Stock	1,088,396	—	—	11	—	(11)	—	—	—	—	—
Acquisition-Related Equity Issuance	49,764	—	—	—	—	1,889	—	—	—	398	2,287
Change in Ownership Interest	—	1	—	—	—	53,377	—	—	—	(62,642)	(9,265)
<b>Balance at March 31, 2019</b>	25,078,345	200	(1,353,398)	251	—	281,480	(169,923)	33	(67,172)	463,487	508,156
Net Income	—	—	—	—	—	—	4,826	—	—	5,200	10,026
Other Comprehensive Loss	—	—	—	—	—	—	—	(648)	—	(580)	(1,228)
Dividends Declared (\$0.05 Per Share of Class A Common Stock)	—	—	—	—	—	—	(1,160)	—	—	—	(1,160)
Tax Distributions	—	—	—	—	—	—	—	—	—	(20)	(20)
Equity-Based Compensation	—	—	—	—	—	19,465	—	—	—	11,211	30,676
Forfeiture Liability for Equity Awards	—	—	—	—	—	3	—	—	—	—	3
Net Share Settlement	—	—	—	—	—	(673)	—	—	—	—	(673)
Deliveries of Vested Shares of Class A Common Stock	22,678	—	—	—	—	—	—	—	—	—	—
Change in Ownership Interest	—	3	—	—	—	(22,222)	—	—	—	21,627	(595)
Treasury Stock Purchases	—	—	(639,204)	—	—	—	—	—	(25,684)	—	(25,684)
<b>Balance at June 30, 2019</b>	25,101,023	203	(1,992,602)	\$ 251	\$ —	\$ 278,053	\$ (166,257)	\$ (615)	\$ (92,856)	\$ 500,925	\$ 519,501

(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 Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Non- Controlling Interests	Total
	Class A Common Stock	Class B Common Stock	Treasury Stock								
<b>Balance at June 30, 2019</b>	25,101,023	203	(1,992,602)	\$ 251	\$ —	\$ 278,053	\$ (166,257)	\$ (615)	\$ (92,856)	\$ 500,925	\$ 519,501
Net Income	—	—	—	—	—	—	6,825	—	—	7,956	14,781
Other Comprehensive Loss	—	—	—	—	—	—	—	(514)	—	(460)	(974)
Dividends Declared (\$0.05 Per Share of Class A Common Stock)	—	—	—	—	—	—	(1,141)	—	—	—	(1,141)
Tax Distributions	—	—	—	—	—	—	—	—	—	(89)	(89)
Equity-Based Compensation	—	—	—	—	—	14,774	—	—	—	9,896	24,670
Forfeiture Liability for Equity Awards	—	—	—	—	—	1	—	—	—	—	1
Net Share Settlement	—	—	—	—	—	(178)	—	—	—	—	(178)
Deliveries of Vested Shares of Class A Common Stock	407,448	—	—	—	—	—	—	—	—	—	—
Change in Ownership Interest	—	4	—	—	—	(15,084)	—	—	—	10,499	(4,585)
Treasury Stock Purchases	—	—	(441,032)	—	—	—	—	—	(17,783)	—	(17,783)
<b>Balance at September 30, 2019</b>	<u>25,508,471</u>	<u>207</u>	<u>(2,433,634)</u>	<u>\$ 251</u>	<u>\$ —</u>	<u>\$ 277,566</u>	<u>\$ (160,573)</u>	<u>\$ (1,129)</u>	<u>\$ (110,639)</u>	<u>\$ 528,727</u>	<u>\$ 534,203</u>

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2019	2018
<b>Operating Activities</b>		
Net Income	\$ 25,744	\$ 30,028
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Equity-Based Compensation Expense	90,319	90,526
Depreciation and Amortization Expense	10,709	6,362
Amortization of Operating Lease Right-of-Use Assets	13,382	—
Deferred Taxes	5,293	(6,923)
Other	2,814	(906)
Cash Flows Due to Changes in Operating Assets and Liabilities		
Accounts Receivable	(40,582)	(11,841)
Other Assets	(16,469)	(1,250)
Accrued Compensation and Benefits	15,934	5,802
Accounts Payable, Accrued Expenses and Other Liabilities	(2,641)	1,892
Operating Lease Liabilities	(14,381)	—
Deferred Rent Liability	—	(295)
Taxes Payable	(4,047)	563
Deferred Revenue	927	4,313
Net Cash Provided by Operating Activities	<u>87,002</u>	<u>118,271</u>
<b>Investing Activities</b>		
Purchases of Investments	(9,929)	(22,000)
Proceeds from Sales and Maturities of Investments	930	36,168
Purchases of Furniture, Equipment and Leasehold Improvements	(6,359)	(6,464)
Settlement of Acquisition-Related Escrow	7,485	—
Net Cash Provided by (Used in) Investing Activities	<u>(7,873)</u>	<u>7,704</u>
<b>Financing Activities</b>		
Dividends	(3,489)	(3,154)
Proceeds from Revolving Credit Facility	15,000	—
Payments on Revolving Credit Facility	(15,000)	—
Principal Payments on Term Loan	(4,250)	—
Tax Distributions	(109)	(15)
Employee Taxes Paid for Shares Withheld	(9,455)	(21,681)
Cash-Settled Exchanges of Partnership Units	(14,471)	(45,699)
Treasury Stock Purchases	(43,467)	(35,797)
Payments Pursuant to Tax Receivable Agreement	(210)	(10)
Principal Payments on Finance Leases	(106)	(76)
Net Cash Used in Financing Activities	<u>(75,557)</u>	<u>(106,432)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,643)	1,212
<b>Net Increase in Cash and Cash Equivalents</b>	1,929	20,755
Cash and Cash Equivalents, Beginning of Period	106,110	145,619
Cash and Cash Equivalents, End of Period	<u>\$ 108,039</u>	<u>\$ 166,374</u>
<b>Supplemental Disclosure of Cash Flows Information</b>		
Payments for Income Taxes, Net of Refunds Received	\$ 6,050	\$ 1,105
Payments for Interest	\$ 1,153	\$ —
Non-Cash Receipt of Shares	\$ —	\$ 2,254

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 advisory, restructuring and special situations and private fund advisory and placement services to corporations, financial sponsors, institutional investors and governments around the world. The Company offers a unique portfolio of advisory services designed to help clients achieve their strategic objectives. Also, through 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 Inc. (“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 September 30, 2019, the non-controlling interest was 40.5%. 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.

**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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*Cash, Cash Equivalents and Investments*

Cash and Cash Equivalents include short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less from the date of purchase. Cash is primarily held at three major U.S. financial institutions. Also included in Cash and Cash Equivalents are amounts held in bank accounts that are subject to advance notification to withdraw. Such amounts totaled \$10.4 million as of September 30, 2019.

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

During the second quarter of 2019, a misstatement was identified in the presentation of changes in the Company's ownership interest in PJT Partners Holdings LP, which resulted in a reclassification from Non-Controlling Interests to Additional Paid-In Capital. In accordance with Accounting Standards Codification ("ASC") Topic 250, *Accounting Changes and Error Corrections*, the Company evaluated the materiality of the misstatement from both quantitative and qualitative perspectives, and concluded that it was immaterial to the prior periods. Consequently, the Company revised the historical consolidated financial information presented herein. The immaterial correction resulted in reclassifications between Additional Paid-In Capital and Non-Controlling Interests. The adjustment decreased Additional Paid-In Capital by \$6.8 million, with a corresponding increase to Non-Controlling Interests as of December 31, 2017. The adjustments as of March 31, 2018, June 30, 2018, September 30, 2018, December 31, 2018 and March 31, 2019 increased Additional Paid-In Capital by \$76.8 million, \$37.7 million, \$32.8 million, \$60.0 million and \$169.2 million, respectively, with corresponding decreases to Non-Controlling Interests. This immaterial correction had no impact on the Company's Consolidated Statements of Operations and Statements of Cash Flows.

**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 are amortized to expense over the life of the leases and the liability, and related interest expense, are 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 was as follows:

	December 31, 2018	Adjustments	January 1, 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)	—

**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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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 on the accounting for implementation costs incurred in a cloud computing arrangement. The updated guidance requires the capitalization of the implementation costs incurred in a cloud computing arrangement to be aligned with the requirements for capitalizing costs incurred to develop or obtain internal-use software. The updated guidance is effective for annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted. Upon adoption, the Company may elect to apply the new guidance on either a prospective or retrospective basis. The Company is currently assessing the impact that adoption of this guidance will have 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 purchase price as of September 30, 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.

**PJT Partners Inc.**  
**Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)**  
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- (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 \$7.44, 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 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 not result in a change to the total purchase price above.

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

	December 31, 2018	Measurement Period Adjustments	September 30, 2019
<b>Assets</b>			
Cash	\$ 6,787	\$ —	\$ 6,787
Accounts Receivable	2,602	—	2,602
Furniture, Equipment and Leasehold Improvements, Net	283	—	283
Other Assets	2,915	(81)	2,834
Identifiable Intangible Assets	40,600	(1,700)	38,900
Goodwill	103,745	(3,306)	100,439
Deferred Tax Asset	111	(111)	—
Total Assets	157,043	(5,198)	151,845
<b>Liabilities</b>			
Accrued Compensation and Benefits	192	—	192
Accounts Payable, Accrued Expenses and Other Liabilities	8,660	—	8,660
Deferred Rent Liability	230	—	230
Taxes Payable	54	—	54
Deferred Revenue	6,560	—	6,560
Total Liabilities	15,696	—	15,696
<b>Net Assets</b>	<b>\$ 141,347</b>	<b>\$ (5,198)</b>	<b>\$ 136,149</b>

The Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2019 include 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 Ended September 30, 2018	Nine Months Ended September 30, 2018
Total Revenues	\$ 149,712	\$ 440,250
Net Income Attributable to PJT Partners Inc.	\$ 4,152	\$ 18,789

**PJT Partners Inc.**  
**Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)**  
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**4. REVENUES FROM CONTRACTS WITH CUSTOMERS**

The following table reconciles revenues recognized from contracts with customers to Total Revenues in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Advisory Fees	\$ 146,075	\$ 117,161	\$ 383,577	\$ 318,918
Placement Fees	25,596	18,229	77,603	72,481
Interest Income from Placement Fees	1,295	1,245	3,388	3,665
Reimbursable Expenses	1,784	2,292	4,650	6,658
Revenues from Contracts with Customers	174,750	138,927	469,218	401,722
Sublease Income and Other	(523)	1,216	(231)	3,133
<b>Total Revenues</b>	<b>\$ 174,227</b>	<b>\$ 140,143</b>	<b>\$ 468,987</b>	<b>\$ 404,855</b>

*Remaining Performance Obligations and Revenue Recognized from Past Performance*

As of September 30, 2019, the aggregate amount of the transaction price allocated to performance obligations yet to be satisfied was \$4.6 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.

The Company recognized revenue of \$6.3 million and \$15.4 million for the three and nine months ended September 30, 2019, respectively, and \$0.9 million and \$13.0 million for the three and nine months ended September 30, 2018, 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 and nine months ended September 30, 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 and nine months ended September 30, 2019 and 2018.

The beginning and ending balances of Deferred Revenue are included in the Condensed Consolidated Statements of Financial Condition. For the nine months ended September 30, 2019 and 2018, \$7.8 million and \$1.4 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 September 30, 2019 and December 31, 2018, the Company recorded \$1.8 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 \$64.1 million and \$77.9 million as of September 30, 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.



**PJT Partners Inc.**  
**Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)**  
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The Company does not have any long-term receivables on non-accrual status. Of receivables that originated as long-term, there were \$7.9 million and \$7.5 million as of September 30, 2019 and December 31, 2018, respectively, which were outstanding more than 90 days. As of September 30, 2019, the Company had an allowance for doubtful accounts related to long-term receivables of \$0.2 million. There was no allowance for doubtful accounts with respect to such receivables as of 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 Adjustments (a)		(3,306)
Balance, September 30, 2019	\$	<u>172,725</u>

- (a) During the nine months ended September 30, 2019, the Company recorded \$3.3 million of measurement period adjustments related to the acquisition of CamberView.

Intangible Assets, Net consists of the following:

	September 30, 2019	December 31, 2018
<b>Finite-Lived Intangible Assets</b>		
Customer Relationships	\$ 61,276	\$ 62,876
Trade Name	9,800	9,900
Total Intangible Assets	71,076	72,776
<b>Accumulated Amortization</b>		
Customer Relationships	(26,037)	(21,501)
Trade Name	(3,305)	(2,115)
Total Accumulated Amortization	(29,342)	(23,616)
Intangible Assets, Net	<u>\$ 41,734</u>	<u>\$ 49,160</u>

Amortization expense was \$1.8 million and \$5.7 million for the three and nine months ended September 30, 2019, respectively, and \$0.6 million and \$1.8 million for the three and nine months ended September 30, 2018, respectively. As a result of a decrease in intangible assets as of September 30, 2019, the Company recorded a cumulative decrease to accumulated amortization of \$0.2 million as of September 30, 2019. Such change was also reflected in Depreciation and Amortization in the Condensed Consolidated Statements of Operations.

Amortization of intangible assets held at September 30, 2019 is expected to be \$1.9 million for the remainder of the year ending December 31, 2019; \$7.7 million for the years ending December 31, 2020 and 2021; \$6.5 million for the year ending December 31, 2022; and \$4.9 million for the year ending December 31, 2023.

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

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

**PJT Partners Inc.**  
**Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)**  
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	September 30, 2019	December 31, 2018
Office Equipment	\$ 2,283	\$ 2,151
Leasehold Improvements	43,207	38,745
Furniture and Fixtures	14,885	13,558
Total Furniture, Equipment and Leasehold Improvements	60,375	54,454
Accumulated Depreciation	(24,511)	(19,649)
Furniture, Equipment and Leasehold Improvements, Net	<u>\$ 35,864</u>	<u>\$ 34,805</u>

Depreciation expense was \$1.7 million and \$5.0 million for the three and nine months ended September 30, 2019, respectively, and \$1.7 million and \$4.6 million for the three and nine months ended September 30, 2018, respectively.

**8. FAIR VALUE MEASUREMENTS**

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

	September 30, 2019			
	Level I	Level II	Level III	Total
Treasury Instruments	\$ —	\$ 44,914	\$ —	\$ 44,914

  

	December 31, 2018			
	Level I	Level II	Level III	Total
Treasury Instruments	\$ —	\$ 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 Treasury securities were included in both Cash and Cash Equivalents and Investments at September 30, 2019 and in Cash and Cash Equivalents at December 31, 2018 in the Condensed Consolidated Statements of Financial Condition.

During the three and nine months ended September 30, 2019 and 2018, there were transfers from Level I to Level II related to 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 and nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Income Before Provision (Benefit) for Taxes	\$ 19,783	\$ 12,082	\$ 33,288	\$ 24,839
Provision (Benefit) for Taxes	\$ 5,002	\$ (197)	\$ 7,544	\$ (5,189)
Effective Income Tax Rate	25.3 %	(1.6)%	22.7 %	(20.9)%

The Company's effective tax rate differed from the U.S. federal statutory tax rate for the three and nine months ended September 30, 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.

**PJT Partners Inc.**  
**Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)**  
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As of September 30, 2019, the Company had no unrecognized tax benefits.

**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 and nine months ended September 30, 2019 and 2018 is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>Numerator:</i>				
Net Income Attributable to PJT Partners Inc.	\$ 6,825	\$ 7,550	\$ 12,752	\$ 19,731
Less:				
Dividends on Participating Securities	6	8	17	92
Net Income Attributable to Participating Securities	5	36	14	110
Net Income Attributable to Shares of Class A Common Stock — Basic	6,814	7,506	12,721	19,529
Incremental Net Income from Dilutive Securities	150	342	329	971
Net Income Attributable to Shares of Class A Common Stock — Diluted	<u>\$ 6,964</u>	<u>\$ 7,848</u>	<u>\$ 13,050</u>	<u>\$ 20,500</u>
<i>Denominator:</i>				
Weighted-Average Shares of Class A Common Stock Outstanding — Basic	24,013,033	22,275,847	24,107,179	21,425,766
Weighted-Average Number of Incremental Shares from Unvested RSUs	960,537	1,836,502	916,905	2,621,894
Weighted-Average Shares of Class A Common Stock Outstanding — Diluted	<u>24,973,570</u>	<u>24,112,349</u>	<u>25,024,084</u>	<u>24,047,660</u>
Net Income Per Share of Class A Common Stock				
Basic	<u>\$ 0.28</u>	<u>\$ 0.34</u>	<u>\$ 0.53</u>	<u>\$ 0.91</u>
Diluted	<u>\$ 0.28</u>	<u>\$ 0.33</u>	<u>\$ 0.52</u>	<u>\$ 0.85</u>

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 39,928,898 and 40,060,520 for the three and nine months ended September 30, 2019, respectively, 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 and nine months ended September 30, 2019, 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 and nine months ended September 30, 2019 and 2018 that have been excluded from the calculation of net income per share of Class A common stock:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Weighted-Average Unvested RSUs	(a)	(a)	(a)	(a)
Weighted-Average Participating RSUs	28,514	125,388	45,039	143,856
Weighted-Average Partnership Units	15,915,865	16,385,862	15,953,341	15,475,111

(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 \$00 million. 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 nine months ended September 30, 2019, the Company repurchased 1.1 million shares of Class A common stock at an average price of \$40.21, or \$43.5 million in aggregate, pursuant to the share repurchase program. As of September 30, 2019, the available amount remaining for repurchases under this program was \$89.4 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 and nine months ended September 30, 2019 and 2018, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Equity-Based Compensation Expense	\$ 24,670	\$ 26,372	\$ 90,319	\$ 90,526
Income Tax Benefit	\$ 2,140	\$ 2,057	\$ 8,414	\$ 7,513

### Restricted Stock Units

A summary of the status of the Company's unvested RSUs as of September 30, 2019 and for changes during the nine months ended September 30, 2019 is presented below:

	Restricted Stock Units			
	PJT Partners Inc.		PJT Partners Holdings LP	
	Number of Units	Weighted- Average Grant Date Fair Value (in dollars)	Number of Units	Weighted- Average Grant Date Fair Value (in dollars)
Balance, December 31, 2018	4,254,205	\$ 40.99	98,295	\$ 37.17
Granted	2,034,018	43.88	—	—
Vested	(1,830,990)	35.75	(73,908)	35.72
Forfeited	(327,988)	40.66	(6,085)	41.58
Dividends Reinvested on RSUs	16,682	42.58	—	—
Balance, September 30, 2019	<u>4,145,927</u>	\$ 44.76	<u>18,302</u>	\$ 41.57

As of September 30, 2019, there was \$106.5 million of estimated unrecognized compensation expense related to unvested RSU awards. This cost is expected to be recognized over a weighted-average period of 1.2 years. The Company assumes a forfeiture rate of 1.0% to 9.0% annually based on expected turnover and periodically reassesses this rate.

**PJT Partners Inc.**  
**Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)**  
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**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 September 30, 2019 and for changes during the nine months ended September 30, 2019 is presented below:

	<b>RSU Awards with Both Service and Market Conditions</b>	
	<b>Number of Units</b>	<b>Weighted- Average Grant Date Fair Value (in dollars)</b>
Balance, December 31, 2018	253,152	\$ 26.19
Granted	25,158	12.07
Forfeited	(15,968)	26.19
Balance, September 30, 2019	<u>262,342</u>	<u>\$ 24.84</u>

As of September 30, 2019, there was \$4.4 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 3.0 years. The Company assumes a forfeiture rate of 4.0% to 9.0% annually based on expected turnover and periodically reassesses this rate.

The following table presents the assumptions used to determine the fair value of the RSU awards in PJT Partners Inc. with both a service and market condition granted during the nine months ended September 30, 2019:

Risk-Free Interest Rate	1.7% - 2.3%
Dividend Yield	0.5%
Expected Volatility Factor	28.2% - 29.8%
Weighted-Average Volatility Factor	29.0%
Expected Life (in years)	2.8 - 3.2

**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 nine months ended September 30, 2019, 3,591 restricted share awards were granted. For the year ended December 31, 2018, 5,100 restricted share awards were granted. As of September 30, 2019, no restricted shares have vested or have been 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 2.0 years.

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

A summary of the status of the Company's unvested Partnership Units as of September 30, 2019 and for changes during the nine months ended September 30, 2019 is presented below:

	<b>Partnership Units</b>	
	<b>Number of Partnership Units</b>	<b>Weighted- Average Grant Date Fair Value (in dollars)</b>
Balance, December 31, 2018	3,323,948	\$ 24.23
Granted	128,278	38.83
Vested	(156,354)	30.64
Balance, September 30, 2019	<u>3,295,872</u>	<u>\$ 24.49</u>

As of September 30, 2019, there was \$16.6 million of estimated unrecognized compensation expense related to unvested Partnership Units. This cost is expected to be recognized over a weighted-average period of 0.2 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 September 30, 2019 and for changes during the nine months ended September 30, 2019 is presented below:

	<b>Partnership Unit Awards with Both Service and Market Conditions</b>	
	<b>Number of Partnership Units</b>	<b>Weighted- Average Grant Date Fair Value (in dollars)</b>
Balance, December 31, 2018	5,118,133	\$ 5.72
Vested	(122,902)	5.72
Forfeited	(125,319)	5.72
Balance, September 30, 2019	<u>4,869,912</u>	<u>\$ 5.72</u>

As of September 30, 2019, there was \$0.5 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 0.1 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 September 30, 2019, are expected to vest:

	Units	Weighted-Average Service Period in Years
Partnership Units	8,160,671	0.2
Restricted Stock Units	4,237,789	1.3
Restricted Share Awards	7,690	2.0
Total Equity-Based Awards	12,406,150	0.5

**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 \$6.6 million and \$19.3 million for the three and nine months ended September 30, 2019, respectively, and \$1.8 million and \$7.6 million for the three and nine months ended September 30, 2018, respectively. As of September 30, 2019, there was \$45.4 million of unrecognized compensation expense related to these awards. This cost is expected to be recognized over a weighted-average period of 2.3 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 and nine months ended September 30, 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.

The Company leases certain office equipment pursuant to finance leases, which expire at various dates through 2024. 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.

**PJT Partners Inc.**  
**Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)**  
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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 and nine months ended September 30, 2019, the components of lease expense were as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating Lease Cost	\$ 6,456	\$ 18,563
Finance Lease Cost		
Amortization of Right-of-Use Assets	38	107
Interest on Lease Liabilities	2	5
Total Finance Lease Cost	40	112
Short-Term Lease Cost	9	234
Variable Lease Cost	752	2,045
Sublease Income	(892)	(2,715)
Total Lease Cost	<u>\$ 6,365</u>	<u>\$ 18,239</u>

Supplemental information related to leases was as follows:

	September 30, 2019
Cash Paid for Amounts Included in Measurement of Lease Liabilities	
Operating Cash Flows from Operating Leases	\$ 14,381
Operating Cash Flows from Finance Leases	7
Financing Cash Flows from Finance Leases	106
Right-of-Use Assets Obtained in Exchange for Lease Liabilities	
Operating Leases	150,843
Finance Leases	34
	<u>September 30, 2019</u>
Weighted-Average Remaining Lease Term (in years)	
Operating Leases	7.7
Finance Leases	1.7
Weighted-Average Discount Rate	
Operating Leases	4.9 %
Finance Leases	3.2 %

For the three and nine months ended September 30, 2018, rent expense was \$6.1 million and \$18.4 million, respectively. 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 December 31, 2018, the Company maintained an irrevocable standby letter of credit for certain operating leases of \$7 million.



**PJT Partners Inc.**  
**Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)**  
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The following is a maturity analysis of the annual undiscounted cash flows of the finance and operating lease liabilities as of September 30, 2019:

<u>Year Ending December 31,</u>	<u>Finance</u>	<u>Operating</u>
2019 (October 1 through December 31)	\$ 38	\$ 6,221
2020	126	22,924
2021	21	24,802
2022	8	24,636
2023	4	24,601
Thereafter	2	78,473
Total Lease Payments	199	181,657
Less: Imputed Interest	6	30,824
Total	<u>\$ 193</u>	<u>\$ 150,833</u>

In August 2019, the Company entered into a lease agreement for office space in San Francisco, California. Such lease has not been included in Operating Lease Right-of-Use Assets and Operating Lease Liabilities on the Condensed Consolidated Statement of Financial Condition as the Company does not yet have the right to use the premises. Commencement of the lease is anticipated to occur in the fourth quarter of 2019 with an initial term that expires in 2031.

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 338,911 and 918,229 Partnership Units, respectively, for cash in the amounts of \$14.5 million and \$45.7 million, respectively, for the nine months ended September 30, 2019 and 2018, respectively. Such amounts are recorded as a reduction of Non-Controlling Interests in the Condensed Consolidated Statements of Financial Condition.

During the third quarter of 2019, the Company was presented with 108,108 Partnership Units to be exchanged. The Company will settle the exchange of these Partnership Units on November 5, 2019 for cash for an aggregate payment of \$4.5 million. The price per Partnership Unit to be paid by the Company is \$41.46, which is equal to the volume-weighted average price of a share of the Company’s Class A common stock on October 31, 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 September 30, 2019 and December 31, 2018, the Company had amounts due of \$9.0 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

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

As of September 30, 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) \$1.25 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 September 30, 2019 and December 31, 2018, the Company was in compliance with the debt covenants under the Amended and Restated Loan Agreement.

As of September 30, 2019, the future scheduled principal payments on the Term Loan were as follows:

<b>Year Ending December 31,</b>		
2019	\$	4,250
2020		17,000
2021		4,500
	\$	<u>25,750</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 \$9.0 million and \$8.9 million as of September 30, 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 September 30, 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 September 30, 2019 and December 31, 2018, the Company had accrued \$1.8 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 \$0.3 million and \$1.3 million for the three and nine months ended September 30, 2019, respectively, and \$0.3 million and \$0.9 million for the three and nine months ended September 30, 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 advisory and restructuring and special situations services are conducted in the United States and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). PJT Partners LP computes net capital based upon the aggregate indebtedness standard, which requires the maintenance of minimum net capital, as defined, which shall be the greater of \$100 thousand or 6 2/3% of aggregate indebtedness, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 1.5 to 1. PJT Partners LP had net capital of \$12.8 million and \$10.6 million as of September 30, 2019 and December 31, 2018, respectively, which exceeded the minimum net capital requirement by \$11.6 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 \$6.1 million and \$15.0 million as of September 30, 2019 and December 31, 2018, respectively, which exceeded the minimum net capital requirement by \$5.8 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 €0 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 September 30, 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 advisory, restructuring and special situations and private fund advisory and placement services constitute a single reportable segment. An operating segment is a component of an entity which conducts business, incurs revenues and expenses for which discrete financial information is available that is reviewed by the chief operating decision maker in assessing performance and making resource allocation decisions. The Company has a single operating segment and therefore a single reportable segment.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Revenues</b>				
Domestic	\$ 150,576	\$ 119,224	\$ 427,503	\$ 351,822
International	23,651	20,919	41,484	53,033
Total	<u>\$ 174,227</u>	<u>\$ 140,143</u>	<u>\$ 468,987</u>	<u>\$ 404,855</u>
	September 30, 2019	December 31, 2018		
<b>Assets</b>				
Domestic	\$ 713,847	\$ 628,437		
International	142,471	43,380		
Total	<u>\$ 856,318</u>	<u>\$ 671,817</u>		

The Company had one client that represented 10.7% and 12.3% of total revenues for the three months ended September 30, 2019 and 2018, respectively. The Company is not subject to any material concentrations with respect to its revenues for the nine months ended September 30, 2019 and 2018. The Company is not subject to any material concentrations of credit risk with respect to its accounts receivable as of September 30, 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 December 18, 2019 to Class A common stockholders of record on December 4, 2019.

The Company did not identify any other subsequent events besides the exchange of Partnership Units described in 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 advisory, restructuring and special situations and private fund advisory and placement services to corporations, financial sponsors, institutional investors and governments around the world. We offer a unique portfolio of advisory services designed to help our clients achieve their strategic objectives. We also provide, through 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 nine months of 2019 were down 10% versus the comparable prior period in 2018, but still the fourth strongest first nine months 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.

<sup>1</sup> Source: Refinitiv Global Mergers & Acquisitions Review for First Nine Months 2019 as of September 30, 2019.

Global restructuring activity for the first nine months of 2019 remained consistent with 2018 despite continued low default rates in a benign credit environment. Notwithstanding, a balanced mix of in-court and out-of-court transactions for companies, creditors and financial sponsors has driven increased demand for restructuring and liability management services across a broad range of industries including technology, media and telecommunications; oil and gas; pharmaceuticals; and consumer products. PJT Partners maintained strong market share and was ranked #1 in global completed restructuring<sup>2</sup>.

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 January 31, 2020. 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.

<sup>2</sup> Source: Refinitiv Distressed Debt & Bankruptcy Restructuring Review for First Half 2019 as of July 15, 2019.



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, 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 Inc. (“Blackstone” or our “former Parent”).

*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 and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
(Dollars in Thousands)						
<b>Revenues</b>						
Advisory Fees	\$ 146,075	\$ 117,161	25 %	\$ 383,577	\$ 318,918	20 %
Placement Fees	25,596	18,229	40 %	77,603	72,481	7 %
Interest Income and Other	2,556	4,753	(46) %	7,807	13,456	(42) %
<b>Total Revenues</b>	<b>174,227</b>	<b>140,143</b>	<b>24 %</b>	<b>468,987</b>	<b>404,855</b>	<b>16 %</b>
<b>Expenses</b>						
Compensation and Benefits	123,040	99,875	23 %	337,356	297,780	13 %
Occupancy and Related	7,883	6,641	19 %	22,821	20,017	14 %
Travel and Related	5,567	5,449	2 %	19,247	16,906	14 %
Professional Fees	6,120	6,072	1 %	17,589	15,290	15 %
Communications and Information Services	3,365	2,781	21 %	10,071	9,521	6 %
Depreciation and Amortization	3,454	2,263	53 %	10,709	6,362	68 %
Other Expenses	5,015	4,980	1 %	17,906	14,140	27 %
<b>Total Expenses</b>	<b>154,444</b>	<b>128,061</b>	<b>21 %</b>	<b>435,699</b>	<b>380,016</b>	<b>15 %</b>
<b>Income Before Provision (Benefit) for Taxes</b>	<b>19,783</b>	<b>12,082</b>	<b>64 %</b>	<b>33,288</b>	<b>24,839</b>	<b>34 %</b>
<b>Provision (Benefit) for Taxes</b>	<b>5,002</b>	<b>(197)</b>	<b>N/M</b>	<b>7,544</b>	<b>(5,189)</b>	<b>N/M</b>
<b>Net Income</b>	<b>14,781</b>	<b>12,279</b>	<b>20 %</b>	<b>25,744</b>	<b>30,028</b>	<b>(14) %</b>
<b>Net Income Attributable to Non-Controlling Interests</b>	<b>7,956</b>	<b>4,729</b>	<b>68 %</b>	<b>12,992</b>	<b>10,297</b>	<b>26 %</b>
<b>Net Income Attributable to PJT Partners Inc.</b>	<b>\$ 6,825</b>	<b>\$ 7,550</b>	<b>(10) %</b>	<b>\$ 12,752</b>	<b>\$ 19,731</b>	<b>(35) %</b>

N/M Not meaningful.

## Revenues

The following table provides revenue statistics for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Advisory Fees</b>				
Number of Clients	181	78	250	142
Number of Fee-Paying Clients with \$1 Million or More	27	29	77	84
Number of Fee-Paying Clients Representing Greater than 10% of Advisory Fees	1	2	—	—
Percentage of Such Clients' Fees of Total Advisory Fees	12.7 %	26.4 %	N/A	N/A
<b>Placement Fees</b>				
Number of Clients	40	34	63	63
Number of Fee-Paying Clients with \$1 Million or More	7	7	24	21
Number of Fee-Paying Clients Representing Greater than 10% of Placement Fees	2	1	—	—
Percentage of Such Clients' Fees of Total Placement Fees	21.8 %	17.1 %	N/A	N/A

Total Revenues were \$174.2 million for the three months ended September 30, 2019, an increase of \$34.1 million compared with \$140.1 million for the three months ended September 30, 2018. Advisory Fees were \$146.1 million for the three months ended September 30, 2019, an increase of \$28.9 million compared with \$117.2 million for the three months ended September 30, 2018. The increase in Advisory Fees was driven by significant growth in our strategic advisory business, which more than offset a decline in restructuring activity. Placement Fees were \$25.6 million for the three months ended September 30, 2019, an increase of \$7.4 million compared with \$18.2 million for the three months ended September 30, 2018. The increase in Placement Fees was primarily driven by growth in corporate private placement activity and fund placement activity for private equity clients. Interest Income and Other was \$2.6 million for the three months ended September 30, 2019, a decrease of \$2.2 million compared with \$4.8 million for the three months ended September 30, 2018. The decrease was primarily driven by lower reimbursable expenses billed to clients as well as realized and unrealized foreign currency losses.

Total Revenues were \$469.0 million for the nine months ended September 30, 2019, an increase of \$64.1 million compared with \$404.9 million for the nine months ended September 30, 2018. Advisory Fees were \$383.6 million for the nine months ended September 30, 2019, an increase of \$64.7 million compared with \$318.9 million for the nine months ended September 30, 2018. The increase in Advisory Fees was driven by significant growth in our strategic advisory business. Placement Fees were \$77.6 million for the nine months ended September 30, 2019, an increase of \$5.1 million compared with \$72.5 million for the nine months ended September 30, 2018. The increase was primarily driven by growth in corporate private placement activity. Interest Income and Other was \$7.8 million for the nine months ended September 30, 2019, a decrease of \$5.6 million compared with \$13.5 million for the nine months ended September 30, 2018. The decrease was primarily driven by lower reimbursable expenses billed to clients as well as realized and unrealized foreign currency losses.

## Expenses

Expenses were \$154.4 million for the three months ended September 30, 2019, an increase of \$26.4 million compared with \$128.1 million for the three months ended September 30, 2018. The increase in expenses was primarily attributable to increases in Compensation and Benefits, Occupancy and Related and Depreciation and Amortization of \$23.2 million, \$1.2 million and \$1.2 million, respectively. The increase in Compensation and

Benefits Expense reflected higher revenues during the current quarter as well as increased headcount. The increase in Occupancy and Related was primarily due to expansion in footprint in our existing locations as well as the assumption of leases in the CamberView acquisition. Depreciation and Amortization increased primarily due to additional amortization expense related to intangible assets recorded in the acquisition of CamberView during the fourth quarter of 2018.

Expenses were \$435.7 million for the nine months ended September 30, 2019, an increase of \$55.7 million compared with \$380.0 million for the nine months ended September 30, 2018. The increase in expenses was primarily attributable to increases in Compensation and Benefits, Depreciation and Amortization, Other Expenses, Occupancy and Related, Travel and Related and Professional Fees of \$39.6 million, \$4.3 million, \$3.8 million, \$2.8 million, \$2.3 million and \$2.3 million, respectively. The increase in Compensation and Benefits Expense reflected higher revenues during the current nine month period as well as increased headcount. Depreciation and Amortization increased primarily due to additional amortization expense related to intangible assets recorded in the acquisition of CamberView during the fourth quarter of 2018. Other Expenses increased primarily due to interest expense associated with the acquisition of CamberView and additional market data and other expenses associated with increased headcount and business activity. The increase in Occupancy and Related was primarily due to expansion in footprint in our existing locations as well as the assumption of leases in the CamberView acquisition. The increases in Travel and Related and Professional Fees were primarily due to increased headcount and business activity.

#### *Provision (Benefit) for Taxes*

The Company's Provision for Taxes for the three months ended September 30, 2019 was \$5.0 million, which represents an effective tax rate of 25.3% on pretax income of \$19.8 million. The Company's Benefit for Taxes for the three months ended September 30, 2018 was \$0.2 million, which represents an effective tax rate of -1.6% on pretax income of \$12.1 million.

The Company's Provision for Taxes for the nine months ended September 30, 2019 was \$7.5 million, which represents an effective tax rate of 22.7% on pretax income of \$33.3 million. The Company's Benefit for Taxes for the nine months ended September 30, 2018 was \$5.2 million, which represents an effective tax rate of -20.9% on pretax income of \$24.8 million.

The Company's effective tax rate differed from the U.S. federal statutory tax rate for the three and nine months ended September 30, 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 nine months ended September 30, 2019 and 2018 was primarily due to a decreased tax benefit related to the delivery during the period 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 common units of partnership interest in PJT Partners Holdings LP ("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 September 30, 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 September 30, 2019 and December 31, 2018, we had cash, cash equivalents and investments of \$118.2 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 September 30, 2019 and December 31, 2018, total accounts receivable were \$255.9 million and \$217.8 million, respectively, net of allowance for doubtful accounts of \$0.5 million and \$0.7 million, respectively. Included in Accounts Receivable are long-term receivables of \$64.1 million and \$77.9 million as of September 30, 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 advisory, restructuring and special situations and private fund advisory and placement services businesses. We believe that we provide each of these entities with sufficient capital and liquidity, consistent with their business and regulatory requirements.

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

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

### ***Share Repurchase Program***

On 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. 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 nine months ended September 30, 2019, the Company repurchased 1.1 million shares of Class A common stock at an average price of \$40.21, or \$43.5 million in aggregate, pursuant to the share repurchase program. As of September 30, 2019, the available amount remaining for repurchases under this program was \$89.4 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 “—Item 1. Legal Proceedings” in “Part II. Other Information” included 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 \$9.0 million and \$8.9 million as of September 30, 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, 12, 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-based and other deferred compensation plans, leasing arrangements, 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 Third Quarter of 2019**

	<b>Total Number of Shares Repurchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)</b>
July 1 to July 31	—	\$ —	—	\$ 107.2 million
August 1 to August 31	441,032	40.29	441,032	89.4 million
September 1 to September 30	—	—	—	89.4 million
Total	<u>441,032</u>	\$ 40.29	<u>441,032</u>	\$ 89.4 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. As of September 30, 2019, the Company's remaining repurchase authorization was \$89.4 million. 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 third quarter of 2019 of LTIP Units in PJT Partners Holdings LP to certain personnel, PJT Partners Inc. issued five 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.

**Dividend Policy**

The Company declared a dividend of \$0.05 per share of Class A common stock in the third 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**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
+2.1	<a href="#"><u>Separation and Distribution Agreement by and among The Blackstone Group L.P., Blackstone Holdings I L.P., New Advisory GP L.L.C., PJT Partners Inc. and PJT Partners Holdings LP, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of PJT Partners Inc. (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).</u></a>
3.2	<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>
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	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because iXBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

+ Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(a)(5) 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.

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: November 1, 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 September 30, 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: November 1, 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 September 30, 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: November 1, 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 September 30, 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: November 1, 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 September 30, 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: November 1, 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.