

# MOELIS & COMPANY

## To our Clients, Colleagues and Shareholders

Over each of the past four years we have had the privilege of highlighting the momentum, revenue growth, and global reach Moelis & Company achieved throughout the year, and 2017 was no exception. Although it was another year of record-breaking revenue and capital returns, we felt our 10-year anniversary would be better-marked by first reflecting on important lessons we learned along the way that ultimately helped us build a strong foundation for our growing Firm.

Establishing Moelis & Company at the edge of the financial crisis and quickly building a reputation as an innovative independent investment bank gave us a significant advantage in attracting top talent during our early years. We set out to build the investment bank of the future, one with a unique culture that focused on collaboration, discretion, and trust. We started the Firm with an exceptional talent base, but the intensity of the crisis soon gave us the opportunity to have discussions with almost every high-performing banker on Wall Street. At the time, we expected that adding experienced, top-level Managing Directors who had “excelled” in their previous job would naturally be accretive to our business and our culture. In hindsight, we learned that “success” on one platform did not directly translate to success on *our* platform. In essence, we found that relying on the factors that indicated success in the systems and cultures we were so intent on changing was not going to lead to the firm we envisioned. It was only after the new joiners spent significant time on our platform, and we established a broader operating history from which to draw, that it became easy to see how even a small number of otherwise talented bankers can have an outsized negative impact when they didn’t share our

commitment to collaboration, teamwork, and talent development.

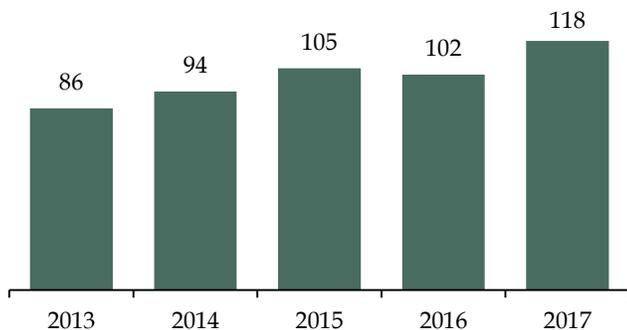
Fast forward to today and the lesson we learned from our early missteps is evidenced by our continued commitment to a culture of internal promotion and partnership. As a matter of protecting the teamwork we bring to every client assignment, we focus on cultural fit, we avoid hiring so-called sole traders who are focused primarily on personal accomplishment, and we promote young Managing Directors who have come up through the Firm and share our values.

### Our culture of INTERNAL DEVELOPMENT

Of our five Managing Director promotes in 2018, two started with Moelis & Company as Associates, and another two came to the Firm as Vice Presidents. Today, nearly 30% of our Managing Directors are promoted from within the Firm. That ratio should continue to improve as nearly 50% of our current Executive Directors came through our Analyst or Associate programs. As we continue to favor organic growth over growth through acquisition, we’ve also

supplemented our internal development initiatives by expanding and deepening our capabilities in a number of key industries over the past year. We added Managing Directors in FinTech & FIG, Software, Industrial Tech, Healthcare, Retail & Consumer, Oil & Gas, and Private Funds Advisory.

### TOTAL MANAGING DIRECTOR HEADCOUNT



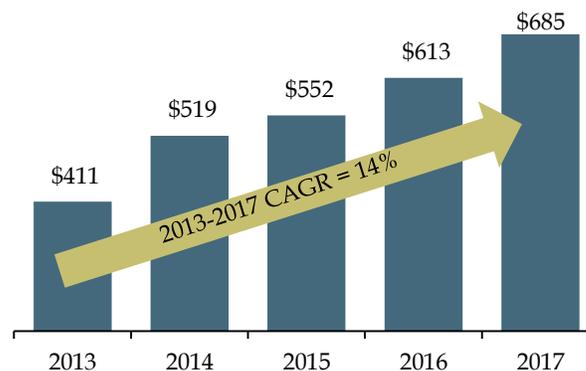
At the junior banker level, our incoming classes are becoming larger and more diverse. Globally, our full-time incoming Analyst and Associate class size grew by 16% and our intern class grew by 34%. Our commitment to bringing in bright, creative, motivated individuals at the earliest stages of their career, and investing in their development, has created a culture that is unique to Moelis & Company. It has allowed us to build and deepen trusted relationships with clients around the world and, in turn, allowed our clients to benefit from the collaboration and expertise we've fostered over the last decade.

### Our model RESONATES with CLIENTS...

In our 10<sup>th</sup> year of business, we advised a record number of clients on larger and more complex transactions than ever before. The growth of our core advisory products and the increasing demand for truly independent advice resulted in record full-year revenues of \$685 million, reinforced by a strong M&A environment, an exceptional year from our

European team, growth in our Private Funds Advisory Group, an uptick in Capital Markets Advisory activity, and a market-leading position in global announced restructuring assignments.

### REVENUE GROWTH (\$MM) AND 5 YEAR CAGR



### ...and BENEFITS SHAREHOLDERS

#### EXCESS CASH RETURNED PER SHARE<sup>1</sup>

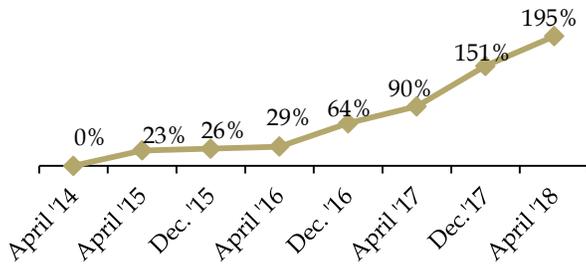


Our shareholders also continued to share the benefits of our success, as we declared two special dividends and increased our regular dividend by 27% for a total capital return of \$4.08 per share. We are proud that 2017 represented another consecutive year since our IPO in which we declared both a special dividend and an increase to our regular dividend. Through 2017, we returned over 40% of our IPO price in the form of dividends, or \$10.14 per share to our investors. Our focus on organic growth and financial discipline over the years has allowed us to return all of our excess capital to shareholders,

while continuing to invest in our global business for the benefit of our clients and employees.

## TOTAL SHAREHOLDER RETURN<sup>2</sup>

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## Threat or OPPORTUNITY?

Looking ahead, the noise generated from technological disruption and geopolitical uncertainty is only growing louder as emerging economies like China, India, and others gain greater access to both the global economy and the free exchange of information. As economic opportunities for some turn into threats towards others, widespread debates are taking place everywhere, from our homes to our work and from the highest levels of government to the smallest screens in the palms of our hands. While the constant contention and volatility can be exhausting, and sometimes unnerving, we can't help but see the tremendous opportunity and value in this type of idea exchange. Where others see chaos, we see the growing liquidity of ideas and capital. What should terrify us more than the cacophony of opinion on Twitter, Facebook, and other social media, is the prospect of returning to a time when debate was suppressed for a significant part of the world population, when ideas couldn't flow the way they do today. Technology has opened a free market of ideas, even in places where free markets don't exist. It has allowed capital to flow more freely and ideas to be challenged in ways that make the constant upending of societal norms seem more like a feature of our global economy, than a glitch. As our

clients seek advice on how to position themselves in these uncertain times, discreet, conflict free advisors are more valuable than ever. Despite - or maybe because of - some early lessons learned, we are confident that we have built a sustainable, self-generating platform that is uniquely-positioned to deliver innovative, differentiated ideas to our clients around the globe. We celebrate our 10-year anniversary by remembering the market chaos in which we were founded, the disruption through which our business has thrived, and by recognizing that our brief history has helped us shape Moelis & Company into a firm that will continue to create new opportunities for its clients, employees, and shareholders in the decades to come.

Sincerely,

Ken Moelis  
*Chairman & CEO*  
Moelis & Company

Notes:

1. We pay dividends out of excess cash flow generated during the period. As such, dividends are paid on a quarter lag. The chart included herein represents cash dividends paid in Q2 2014 - Q1 2015 with respect to performance in the fiscal year ended 2014, Q2 2015 - Q1 2016 with respect to performance in the fiscal year ended 2015 and Q2 2016 - Q1 2018 with respect to performance in the fiscal year ended 2017.

2. Source: CapIQ, Dividend Adjusted Share Price calculation beginning April 16, 2014 and concluding April 24, 2018. Calculation starting price modified to reflect IPO price of \$25.00 per share vs. closing price of \$26.15 per share on April 16, 2014

*This letter contains forward-looking statements, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "may," "might," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "intend," "predict," "potential" or "continue," the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties, and assumptions about us, may include projections of our future financial performance, based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks outlined in our Annual Report on Form 10-K, including under the caption "Risk Factors," filed with the Securities and Exchange Commission and available on our website at [www.moelis.com](http://www.moelis.com). Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements.*

*You should not rely upon forward-looking statements as a prediction of future events. We are under no duty to and we do not undertake any obligation to update or review any of these forward-looking statements after the date of this letter to conform our prior statements to actual results or revised expectations whether as a result of new information, future developments or otherwise.*