

# Section 1: 10-K (10-K)

## UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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: 001-36418

### MOELIS & COMPANY

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

399 Park Avenue, 5th Floor, New York NY  
(Address of principal executive offices)

46-4500216  
(I.R.S. Employer  
Identification No.)

10022  
(Zip Code)

(212) 883-3800

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Class A common stock	MC	New York Stock Exchange (NYSE)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and 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, non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any 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

The aggregate market value of the voting and nonvoting common equity held by non-affiliates of the Registrant as of June 30, 2019 was \$1,696 million.

As of February 12, 2020, there were 50,255,097 shares of Class A common stock, par value \$0.01 per share, and 10,397,915 shares of Class B common stock, par value \$0.01 per share, outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2020 annual meeting of stockholders are incorporated by reference in Part III of this Form 10-K.

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## PART I

*When we use the terms “Company,” “we,” “our,” or “us,” we mean Moelis & Company, a Delaware corporation (incorporated in January 2014), and its consolidated subsidiaries. “Old Holdings” refers solely to Moelis Asset Management LP (formerly Moelis & Company Holdings LP). References to the “IPO” refer to our initial public offering in April 2014 where Old Holdings reorganized its business in connection with the offering of 7,475,000 shares of Moelis & Company Class A common stock. Following the reorganization, the advisory business is now held under Moelis & Company Group LP (“Group LP”), a Delaware limited partnership, and Group LP is controlled by Moelis & Company.*

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K 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 Item 1A.

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 filing to conform our prior statements to actual results or revised expectations whether as a result of new information, future developments or otherwise.

## Item 1. Business

### Overview

Moelis & Company is a leading global independent investment bank that provides innovative strategic and financial advice to a diverse client base, including corporations, governments, sovereign wealth funds and financial sponsors. We assist our clients in achieving their strategic goals by offering comprehensive, globally integrated financial advisory services across all major industry sectors. Our team of experienced professionals advises clients on their most critical decisions, including mergers and acquisitions (“M&A”), recapitalizations and restructurings, capital markets transactions and other corporate finance matters.

Moelis & Company was founded in 2007 by veteran investment bankers to create a global independent investment bank that offers multi-disciplinary solutions and exceptional transaction execution combined with the highest standard of confidentiality and discretion. We create lasting client relationships by providing focused innovative advice through a highly collaborative and global approach not limited to specific products or access to particular regions. Our compensation model fosters our holistic approach to clients by emphasizing quality of advice and is not a commission based structure where employees are compensated on a defined percentage of the revenues they generate. We believe our discretionary approach to compensation leads to exceptional advice, strong client impact and enhanced internal collaboration.

Since our inception, we have achieved rapid growth by hiring high-caliber professionals, expanding the scope and geographic reach of our advisory services, developing new client relationships and cultivating our professionals through training and mentoring. Today we serve our clients with over 600 advisory professionals, including 126 Managing Directors, based in 20 geographical locations around the world. We have demonstrated strong financial performance, achieving revenues of \$746.5 million in 2019, our twelfth full year of operations, and have advised on over \$3.0 trillion of transactions since inception.

## **Our Advisory Offering**

We offer holistic advisory solutions to clients by integrating our bankers' deep industry knowledge and broad corporate finance experience with our global capabilities. With 20 geographical locations in the Americas, Europe, the Middle East, Asia and Australia, we combine local and regional expertise with international market knowledge to provide highly integrated information flow and strong cross-border capabilities. Since our founding, we have rapidly scaled our global platform, as we believe clients value our ability to be relevant in their local market as well as to provide valuable global insights.

We combine our global capabilities with expertise in all major industries including Consumer, Retail & Restaurants; Energy, Power & Infrastructure; Financial Institutions; Financial Sponsors; General Industrials; Healthcare; Real Estate, Gaming, Lodging & Leisure and Technology, Media & Telecommunications. We collaborate globally to bring our deep industry knowledge to the local markets where our clients operate.

We focus on a wide range of clients from large public multinational corporations to middle market private companies to individual entrepreneurs, and we deliver the full resources of our firm and the highest level of senior attention to every client, regardless of size or situation.

We advise our clients through all phases of the business cycle using our strong capabilities in M&A, recapitalization and restructuring, capital markets advisory and other advisory services.

We have established a premier M&A franchise advising clients on mergers, acquisitions, sales and divestitures. We counsel our clients through all stages of the process as we evaluate strategic alternatives, assess potential acquirers and targets, provide valuation analyses and advise on transaction terms including valuation, structuring, timing and potential financing. Additionally, we have an exclusive sales franchise with a strong track record in achieving maximum value for clients in their sale processes.

Moelis & Company has substantial expertise in guiding special committees of boards of directors to evaluate strategies and negotiate proposals by leveraging decades of transaction experience. We execute a rigorous process to help special committees synthesize alternatives and develop an appropriate course of action. We bring a strong understanding of key deal points and the interplay between deal terms, value and the various stakeholders involved.

Moelis & Company's shareholder defense team provides corporate boards with effective solutions to a broad range of contested shareholder situations. We draw from decades of experience working with both public companies, boards and management to advise clients across every industry, at every stage of an activist campaign; from privately engaging with shareholders to stave off a formal campaign, to defending the company's interests in a proxy fight or hostile media campaign.

For our clients in financial distress, we partner senior recapitalization and restructuring professionals with our industry, M&A and capital markets experts to provide holistic advice. We advise both companies and creditors, utilizing our strong relationship network to access capital, identify potential partners and drive support for our transactions. Since our inception, approximately 60% of our recapitalization and restructuring engagements have been on the company or debtor side of a transaction. We understand that during times of financial distress, having a true partner as an advisor is of critical importance, and our partnership and collaboration with our clients during these times has helped us develop long-lasting company relationships. In addition, our deep relationships throughout the creditor and recapitalization and restructuring communities provide multiple creditor side origination opportunities and allow us to develop a comprehensive perspective from all constituents. We understand that in distressed situations, many creditors become temporary equity holders of businesses, and we help these clients realize value which leads to further M&A activity for us.

As part of our holistic approach to client service, we have substantial experience in advising clients on complex risk exposures. Our team consists of experts in structured products, securitization, derivatives and risk management who are highly qualified to value complex assets and advise on repositioning and divesting underperforming portfolios. These capabilities have been particularly relevant to our financial institutions clients since the global financial crisis.

We also advise clients on capital markets matters, providing comprehensive capital structure advice and developing financing solutions tailored to the specific needs of issuers. Our independence and objectivity, coupled with our direct and long-standing institutional buy-side relationships, inform our market views and enhance the likelihood of a successful transaction. We advise clients on all aspects of public and private debt and equity transactions.

We provide capital raising, secondary transaction and other advisory services to private fund sponsors and limited partners. Our team's extensive experience raising capital for a wide variety of fund sponsors located in North America, Europe, Asia and the emerging markets is fully integrated with our global platform, ensuring the broadest possible marketing efforts for our clients. We specialize in private equity fund structures across a wide range of strategies, including buyout, growth capital, distressed, special situations, venture and sector-specific strategies.

In addition, we provide a broad range of other financial advisory services tailored to the specific circumstances and needs of our clients. For example, we act as defense advisor to boards of directors responding to unsolicited proposals, we act as expert witness for clients in major litigation and we assist private clients and governments in negotiations of significant commercial matters.

We seek to generate repeat business from our clients by becoming long-term partners with them as opposed to being solely transaction focused. We are also committed to developing new client relationships, and we maintain an active dialogue with a large number of potential clients, as well as with their financial and legal advisors, on an ongoing basis. We continue to penetrate new relationships through our business development initiatives, growing our senior team with professionals who bring additional client relationships and through introductions from our strong network of relationships with senior executives, board members, attorneys and other third parties.

### **Our Key Competitive Strengths**

With 20 geographical locations around the world, capabilities in all major industries and deep advisory expertise, we believe we are well positioned to take advantage of the strong market opportunity for independent investment banks. Furthermore, we believe our business is differentiated from that of our competitors in the following respects:

***Globally Integrated Firm with Innovative Advisory Solutions:*** We provide the high-touch and conflict free benefits of an independent investment bank with the global reach, sector depth and product expertise more commonly found at larger financial institutions. With 20 geographical locations in the Americas, Europe, the Middle East, Asia and Australia, we combine local and regional expertise with international market knowledge to provide our clients with highly integrated information flow and strong cross-border capabilities. We harness the deep industry expertise and broad corporate finance experience of our 126 global Managing Directors, which include 59 former sector and product heads from major investment banks. We reinforce our model with a discretionary incentive compensation structure that encourages a high degree of collaboration and our "One Firm" mentality.

***Advisory Focus with Strong Intellectual Capital:*** We primarily focus on advising clients, unlike most of our major competitors who derive a large percentage of their revenues from lending, trading and underwriting securities. We believe this independence allows us to offer advice free from the actual or perceived conflicts associated with lending to clients or trading in their securities. In addition, our focus on advisory services frees us from the pressure of cross-selling products, which we believe can distract from the dialogue with clients around their long-term strategy, compromising the advice. We provide intellectual capital based on our judgment, expertise and relationships combined with intense senior level attention to all transactions. The business of delivering intellectual capital allows us to operate a low risk and capital light model with attractive profit margins. We are not exposed to the financial risk and regulatory requirements that arise from, or the capital investments required in, balance sheet lending and trading activities.

***Fast Growing Global Independent Investment Bank:*** Since our inception in 2007, we have achieved rapid growth, earning revenues of \$746.5 million in 2019. In our early years, we took advantage of the dislocation in the financial services industry following the global financial crisis and capitalized on the unique opportunity to hire talent. We currently have 20 offices globally with 875 employees, including 126 Managing Directors who have on average over 20 years of investment banking experience. We believe the quality and scale of our global franchise and the speed at which it has been achieved would be a challenge to replicate today.

***Strong Financial Discipline:*** We have remained financially disciplined with an intense focus on managing our organic growth in a profitable manner. We hired aggressively during the global financial crisis to take advantage of the dislocation among our competitors and in recent years have taken a more measured approach to hiring as the markets and compensation levels have stabilized. We are also highly focused on growing our Managing Directors through internal promotions, adding to our talent base with individuals that are engrained

in our culture and have proven track records on our platform. Currently, approximately one-third of our Managing Directors have been internally promoted. We believe our investment in talent at the junior level creates a self-sustaining pool of Managing Director talent, which in turn helps us manage profitable growth and allows us to return more capital to shareholders in the long run. We incentivize our bankers as owners by awarding equity compensation in order to align the interests of our employees and equity holders. Additionally, we have focused on entering new regions and sectors through cost effective strategies. We intend to maintain our financial discipline as we continue to grow our revenues, expand into new markets and increase our areas of expertise.

**Significant Organic Growth Opportunities:** We have made significant investments in our intellectual capital with the hiring or promotion of 61 Managing Directors in the last five years. In addition, we have invested time and resources in our recruiting and training and development programs. We established a meaningful presence at the top undergraduate programs in our first year of operations, which has resulted in the hiring of over 700 analysts and associates from campus since our inception. We are poised to continue realizing meaningful organic growth from these investments. We have achieved critical size in key industry sectors and regions around the globe, as well as recognition for advising on innovative transactions, which have enhanced our brand globally. We are positioned to continue to grow revenues as a result of increased individual productivity as our investments in people mature and as we continue to leverage our global platform through enhanced connectivity and idea generation and expanded brand recognition.

**High Standard of Confidentiality and Discretion:** Due to the highly sensitive nature of M&A discussions where confidentiality is of paramount importance to clients, the M&A business is most effectively operated on a “need to know” basis. We believe that large financial conglomerates with multiple divisions, “Chinese Walls” and layers of management have a significantly greater number of employees who have access to sensitive client information, which can increase the risk of confidential information leaking. Such leaks can materially impair the viability of transactions and other strategic decisions. We have established a high standard of confidentiality and discretion, as well as instituted procedures designed to protect our clients and minimize the risk of sensitive information leaking to the market.

**Diversified Advisory Platform:** Our business is highly diversified across sectors, types of advisory services and clients. Our broad corporate finance expertise positions us to advise clients through any phase of their life cycle and in any economic environment. We focus on a wide range of clients from large public multinational corporations to middle market private companies to individual entrepreneurs, and we deliver the full resources of our firm and the highest level of senior attention to every client, regardless of size or situation. In addition, we have no meaningful concentration, with our top 10 transactions representing less than 25% of our revenues in 2019. Our holistic “One Firm” approach also reduces dependence on any one product or banker and allows us to leverage our intellectual capital across the firm as necessary to offer multiple solutions to our clients, increase our client penetration and adapt to changing circumstances.

**Partnership Culture:** We believe that our momentum and commitment to excellence have created an environment that attracts and retains high quality talent. Our people are our most valuable asset and our goal is to attract, retain and develop the best and brightest talent in our industry across all levels. We strive to foster a collaborative environment, and we seek individuals who are passionate about our business and are a fit with our culture. We have established a compensation philosophy that reinforces our long-term vision and values by rewarding collaboration, client impact and lasting relationships and encourages employees to put the interests of our clients and our Company first. Above all, our core values nurture a culture of partnership, passion, optimism and hard work, inspiring the highest level of quality and integrity in every interaction with our clients and each other.

## Our Growth Strategy

Our growth strategy is to continue to take advantage of what we believe are attractive market opportunities to enhance our leadership position as a global independent investment bank, advising our clients on important mergers and acquisitions, recapitalization and restructuring transactions and other strategic matters. We seek to achieve these objectives through the following two primary strategies:

**Deepen and Expand our Client Relationships:** We seek to continue to deepen and expand our client relationships, which are the foundation of our business. We are tireless in our pursuit of offering the highest quality integrated advice and most innovative solutions that lead to the long-term success of our clients. We believe this approach has enhanced our reputation as a trusted advisor to our clients, and we intend to leverage this approach further as we increase our touch points with our clients and develop new client relationships.

**Broaden our Areas of Expertise Based on Client Needs:** We intend to pursue further industry and geographic expansion and introduce new product expertise based on client needs. In addition to hiring high quality professionals who will expand our market share, we will seek to grow through increasing the tenure of our Managing Directors, investing in and training our next generation of Managing Directors and continuing to hire analysts and associates from leading undergraduate and graduate programs. We believe that developing talent internally creates a more sustainable franchise and reinforces the culture of our firm.

## Our People

We believe that our people are our most valuable asset. Our goal is to attract, retain and develop the best and brightest talent in our industry across all levels. We strive to foster a collaborative environment, and we seek individuals who are passionate about our business and fit our culture. Our Managing Directors are compensated based on the quality of advice and execution provided to a client, which is predicated on delivering our full suite of advisory services through a high degree of collaboration across different industries, products and regions. This collaborative approach is demonstrated by the fact that on almost all of our transactions, at least two Managing Directors support the client. We reinforce our long-term vision and values by rewarding for client impact and lasting relationships. Our year-end evaluation process measures both performance and alignment with our core value system, ensuring that we continue to integrate our expertise to meaningfully enhance the quality of our advice and strengthen our client relationships. We do not compensate on a commission-based pay model and do not manage our business based on industry, product or regional silos. Our compensation structure for junior bankers is based on a system of meritocracy whereby bankers are rewarded for top performance.

We recruit our junior bankers from the world's leading undergraduate and graduate programs. Since our inception we have had a dedicated campus recruiting effort through which we have hired over 700 analysts and associates from these programs. We devote significant time and resources to training and mentoring our employees and have implemented a generalist program in which our junior professionals receive significant transaction experience across a wide range of products and industries. We believe this exposure enhances the investment banking experience and allows our junior professionals to develop and refine their proficiency in a broad variety of corporate finance matters at an early stage in their career. We are committed to talent retention and our goal is to develop our brightest and most ambitious junior professionals into successful Managing Directors. As of December 31, 2019, we had 879 employees globally, including 609 advisory professionals and 126 Managing Directors.

## Moelis Australia

In 2009, we opened our sixth global office in Sydney to provide investment banking services in Australia and expand our coverage of the Asia Pacific region. Following the establishment of this office and the hiring of what we believed to be a strong executive team, we entered into a 50%-50% joint venture with Moelis Australia Holdings PTY Limited on April 1, 2010 ("Moelis Australia"). Moelis Australia operates a financial advisory services business, an equity capital markets and research, sales and trading business covering Australian public equity securities and asset management businesses.

On April 10, 2017, Moelis Australia consummated its initial public offering and became listed on the Australian Securities Exchange as Moelis Australia Limited (ASX: MOE). Our original position of 50.0 million shares has been reduced by the sale of 20.5 million shares of MOE during 2019 and diluted through share offerings of MOE common stock. Despite these transactions, we still maintain a significant investment and partnership with Moelis Australia. In connection with Moelis Australia's initial public offering, the Company and Moelis Australia entered into a Strategic Alliance Agreement pursuant to which Moelis Australia continues to conduct its investment banking advisory business in Australia and New Zealand as an integrated part of the global advisory business of the Company.

## **Our Strategic Alliances**

### ***Sumitomo Mitsui Banking Corporation and its Subsidiary, SMBC Nikko Securities Inc.***

Effective January 1, 2012, we entered into a strategic alliance with Sumitomo Mitsui Banking Corporation (“SMBC”) and its subsidiary, SMBC Nikko Securities Inc. (“Nikko”) to provide advisory services, including advising on mergers, acquisitions, divestitures, restructurings and other corporate finance matters, to Japanese companies in regions where our firms conduct business. The alliance provides us and our clients with access to the Japanese market and provides us with opportunities to advise Japanese clients on the full suite of our advisory services, with a particular focus on cross-border M&A. Established in 1876 as Mitsui Bank, SMBC is the second largest bank in Japan based on market capitalization. Nikko is one of the five major securities companies in Japan.

### ***Alfaro, Dávila y Scherer, S.C.***

Effective September 2, 2016, we entered into a strategic alliance with Alfaro, Dávila y Scherer, S.C. (“ADS”), the leading independent strategic and financial advisory firm in Mexico, to provide advisory services to our global client base with a focus on cross-border transactions. ADS’s successful track record of developing long-term relationships and advising multinational corporations and privately held companies in strategic transactions benefits our global clients looking to expand into Mexico or for Mexican corporates eager to grow internationally. With this strategic alliance, coupled with our office in Brazil, Moelis & Company has a presence in the two largest markets in Latin America.

## **Competition**

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

We believe our primary competitors in securing advisory engagements include the investment banking businesses of Bank of America Corporation, Citigroup Inc., Credit Suisse Group AG, The Goldman Sachs Group, Inc., JPMorgan Chase & Co., Morgan Stanley and other large investment banking firms as well as independent investment banking firms such as Evercore Partners Inc., Greenhill & Co., Inc., Houlihan Lokey, Inc., Lazard Ltd, NM Rothschild & Sons Limited, PJT Partners, Inc., and many closely held boutique firms.

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

In past years there has been substantial consolidation in the financial services industry. In particular, a number of large commercial banks and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wider range of products, from loans, deposit-taking and insurance to brokerage, asset management and investment banking services, which may enhance their competitive position. They also have the ability to support investment banking and securities products with commercial lending and other financial services revenues in an effort to gain market share, which could result in pricing pressure in our business or loss of opportunities for us. In addition, we may be at a competitive disadvantage relative to certain of our competitors who are able to, and regularly do, provide financing or market making services that are often instrumental in effecting transactions. The trend toward consolidation has significantly increased the capital base and geographic reach of our competitors as well as the potential for actual or perceived conflicts of these firms.

## Regulation

Our business, as well as the financial services industry generally, is subject to extensive regulation in the U.S. and across the globe. As a matter of public policy, regulatory bodies in the U.S. and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets, not with protecting the interests of our stockholders or creditors. In the U.S., the SEC is the federal agency responsible for the administration of the federal securities laws. Moelis & Company LLC, our wholly-owned subsidiary through which we conduct our financial advisory business in the U.S., is registered as a broker-dealer with the SEC. Moelis & Company LLC is subject to regulation and oversight by the SEC. In addition, the Financial Industry Regulatory Authority, Inc. (“FINRA”), a self-regulatory organization that is subject to oversight by the SEC, adopts and enforces rules governing the conduct, and examines the activities, of its member firms, including Moelis & Company LLC. State securities regulators also have regulatory or oversight authority over Moelis & Company LLC.

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

In addition to the regulation we are subject to in the United States, we are also subject to regulation internationally by the Financial Conduct Authority in the United Kingdom, the Securities and Futures Commission in Hong Kong, the Australian Securities and Investments Commission and the Dubai Financial Services Authority.

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

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

Federal anti-money-laundering laws make it a criminal offense to own or operate a money transmitting business without the appropriate state licenses, which we maintain, and registration with the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN). In addition, the USA PATRIOT Act of 2001 and the Treasury Department’s implementing federal regulations require us, as a “financial institution,” to establish and maintain an anti-money-laundering program.

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

The Foreign Corrupt Practices Act (the “FCPA”) and the UK 2010 Bribery Act (the “UK Bribery Act”) prohibit the payment of bribes to foreign government officials and political figures. The FCPA has a broad reach, covering all U.S. companies and citizens doing business abroad, among others, and defining a foreign official to include not only those holding public office but also local citizens acting in an official capacity for or on behalf of foreign government-run or -owned organizations or public international organizations. The FCPA also requires maintenance of appropriate books and records and maintenance of adequate internal controls to prevent and detect possible FCPA violations. Similarly, the UK Bribery Act prohibits us from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage.

## **Executive Officers and Directors**

### **Board of Directors**

Kenneth Moelis,  
*Chairman and Chief Executive Officer of the Company*

Navid Mahmoodzadegan,  
*Co-President and Managing Director of the Company*

Jeffrey Raich,  
*Co-President and Managing Director of the Company*

Eric Cantor,  
*Managing Director and Vice Chairman of the Company*

Elizabeth Crain  
*Chief Operating Officer*

John A. Allison,  
*Chairman of the Executive Advisory Council of the Cato Institute’s Center for Monetary and Financial Alternatives, member of the Cato Institute’s Board of Directors and Former Chairman and CEO of BB&T Corp.*

Yolonda C. Richardson,  
*Executive Vice President of Global Programs for the Campaign for Tobacco Free Kids and the Global Health Advocacy Incubator*

Kenneth L. Shropshire  
*Adidas Distinguished Professor of Global Sport and CEO of Global Sport Institute at Arizona State University, David W. Hauck Professor Emeritus, Wharton School, University of Pennsylvania and Former Faculty Director of Wharton Sports Business Initiative*

### **Other Executive Officers**

Joseph Simon  
*Chief Financial Officer*

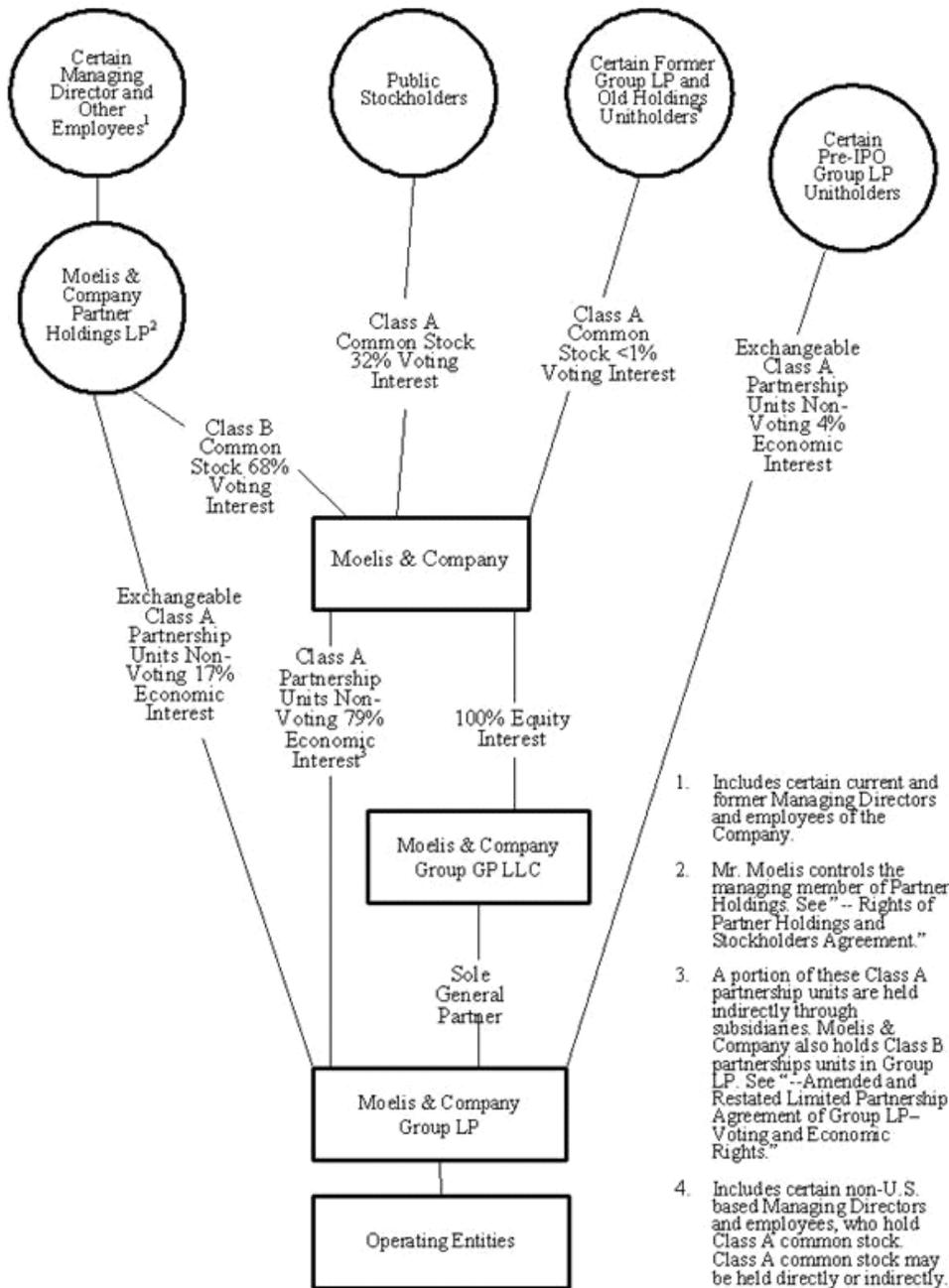
Osamu R. Watanabe  
*General Counsel and Secretary*

## **Organizational Structure**

### **Overview**

Moelis & Company is a holding company and its only assets are its partnership interests in Group LP, its equity interest in the sole general partner of Group LP, Moelis & Company Group GP LLC, and its interests in its subsidiaries. Moelis & Company operates and controls all of the business and affairs of Group LP and its operating entity subsidiaries indirectly through its equity interest in Moelis & Company Group GP LLC.

The simplified diagram below depicts our organizational structure (percentages are as of December 31, 2019).



1. Includes certain current and former Managing Directors and employees of the Company.
2. Mr. Moelis controls the managing member of Partner Holdings. See "-- Rights of Partner Holdings and Stockholders Agreement."
3. A portion of these Class A partnership units are held indirectly through subsidiaries. Moelis & Company also holds Class B partnerships units in Group LP. See "--Amended and Restated Limited Partnership Agreement of Group LP-- Voting and Economic Rights."
4. Includes certain non-U.S. based Managing Directors and employees, who hold Class A common stock. Class A common stock may be held directly or indirectly.

Note: All entities on the chart above are incorporated or formed in Delaware.

## **The Reorganization**

Prior to our initial public offering, our business was owned by Old Holdings. In connection with the consummation of our initial public offering, a reorganization of the existing businesses of Old Holdings was effected pursuant to which the advisory business was transferred to Group LP. Old Holdings retained its asset management business, which includes managers of direct lending funds, hedge funds, private equity funds, collateralized loan obligation funds and certain other asset management businesses. Moelis & Company generally does not engage in these activities.

## **Amended and Restated Limited Partnership Agreement of Group LP**

We operate our business through Group LP and its subsidiaries. The provisions governing the operations of Group LP and the rights and obligations of its partners are set forth in the amended and restated limited partnership agreement of Group LP, the material terms of which are described below. The amended and restated limited partnership agreement of Group LP is filed as an exhibit to this Form 10-K.

Through our control of the general partner of Group LP, we have unilateral control (subject to the consent of Moelis & Company Partner Holdings LP (“Partner Holdings”) on various matters) over the affairs and decisions of Group LP. As such, we, through our officers and directors, are responsible for all operational and administrative decisions of Group LP and the day-to-day management of Group LP’s business.

### *Voting and Economic Rights*

Group LP issued Class A partnership units to Moelis & Company and to the holders of Old Holdings units at the time of the reorganization. In addition, Group LP issued Class B partnership units to Moelis & Company. The Group LP Class B partnership units correspond with the economic rights of shares of Moelis & Company’s Class B common stock. Group LP Class A unitholders have no voting rights by virtue of their ownership of Group LP partnership units, except for the right to approve certain amendments to the amended and restated limited partnership agreement of Group LP, certain changes to the capital accounts of the limited partners of Group LP and any conversion of Group LP to a corporation other than for purposes of a sale transaction. Partner Holdings holds all shares of Moelis & Company Class B common stock, enabling it to exercise majority voting control over Moelis & Company and, indirectly, over Group LP.

Pursuant to the Group LP amended and restated limited partnership agreement, we have the right to determine when distributions will be made to the partners of Group LP and the amount of any such distributions. If we authorize a distribution, such distribution will be made, except as required under applicable tax law, to the partners of Group LP (i) in the case of a tax distribution, generally to the holders of partnership units in proportion to the amount of taxable income of Group LP allocated to such holder and (ii) in the case of other distributions, pro rata in accordance with the percentages of their respective partnership units.

### *Coordination of Moelis & Company and Group LP*

At any time we issue a share of Class A common stock for cash, unless we use the proceeds for certain specified permitted purposes (including the acquisition of Group LP Class A partnership units or other property), the proceeds received by us will be promptly transferred to Group LP, and Group LP will issue to us one of its Group LP Class A partnership units. At any time we issue a share of Class A common stock pursuant to our equity incentive plan we will contribute to Group LP all of the proceeds that we receive (if any), and Group LP will issue to us one of its Group LP Class A partnership units, having the same restrictions, if any, attached to the shares of Class A common stock issued under the equity incentive plan. Conversely, if we redeem or repurchase any of our shares of Class A common stock, Group LP will, immediately prior to our redemption or repurchase, redeem or repurchase an equal number of Group LP Class A partnership units held by us, upon the same terms and for the same price, as the shares of Class A common stock are redeemed or repurchased. We can only redeem or repurchase shares of Class A common stock if Group LP first redeems or repurchases an equivalent amount of Group LP Class A partnership units that we hold.

### *Exchange Rights*

Subject to the terms and conditions of the Group LP amended and restated limited partnership agreement and the lock-up restrictions described below, each Group LP Class A unitholder (except for Moelis & Company) has the right to exchange Group LP Class A partnership units, either for shares of our Class A common stock on a one-for-one basis, or cash (based on the market price of the shares of Class A common stock), at Group LP's option. If Group LP chooses to exchange such units for our Class A common stock, Moelis & Company will deliver an equivalent number of shares of Class A common stock to Group LP for further delivery to the exchanging holder and receive a corresponding number of newly issued Group LP Class A partnership units. The exchanging holder's surrendered Group LP Class A partnership units will be cancelled by Group LP. As Group LP Class A unitholders exchange their Group LP Class A partnership units, Moelis & Company's percentage of economic ownership of Group LP will be correspondingly increased. Following each such exchange, Partner Holdings will be required to surrender to Moelis & Company a corresponding number of shares of Class B common stock, and each such share will be converted into approximately 0.00055 shares of Class A common stock, which will be delivered to Partner Holdings. Group LP will also convert an equivalent number of Class B partnership units held by Moelis & Company into Class A partnership units based on the same conversion rate.

Group LP Class A partnership units and Moelis & Company Class A common stock held by our Managing Directors (including through Partner Holdings) are subject to lock-up agreements for four years from the date of our initial public offering. After this period, Group LP Class A partnership units held by a Managing Director will become exchangeable into Class A common stock or cash as described above and Moelis & Company Class A common stock held by a Managing Director will become transferable, in each case in three equal installments on each of the fourth, fifth and sixth anniversary of our initial public offering. The number of Group LP Class A partnership units subject to lock-up is currently 10,397,915 units. If a Managing Director terminates his or her employment with the Company prior to the end of the lock-up period, the Company will be entitled to extend the lock-up period until up to the tenth anniversary of our initial public offering. We may waive the transfer and exchange restrictions set forth in the Group LP amended and restated limited partnership agreement, including in connection with an offering of shares of our Class A common stock by our Managing Directors. In addition, these restrictions cease to apply upon the death or termination of employment by us due to disability of the applicable Managing Director with respect to such Managing Director's Group LP Class A partnership units.

### **Restrictive Covenants of our Managing Directors**

Prior to the expiration of the Managing Director lock-up, our Managing Directors are generally subject to forfeiting their interests in vested Group LP partnership units and Moelis & Company Class A common stock they held as of the initial public offering if they terminate their employment without good reason and compete with the Company within 12 months thereafter, except for a certain limited number of designated units and stock which were awarded to replace equity of a former employer forfeited upon joining. Our Managing Directors have agreed not to solicit our employees during the term of their employment and for 12 months thereafter.

### **Registration Rights**

Moelis & Company has granted certain registration rights in the amended and restated limited partnership agreement of Group LP, the stockholders agreement with Partners Holdings and the strategic alliance agreement with SMBC, each filed as exhibits to this Form 10-K.

### **Rights of Partner Holdings and Stockholders Agreement**

Moelis & Company is party to a stockholders agreement with Partner Holdings pursuant to which, for so long as the Class B Condition (as defined in our amended and restated certificate of incorporation) is satisfied, Partner Holdings has approval rights over significant corporate actions by Moelis & Company. Our board of directors will nominate individuals designated by Partner Holdings equal to a majority of the board of directors, for so long as the Class B Condition is satisfied.

After the Class B Condition ceases to be satisfied, for so long as the Secondary Class B Condition (as defined in the stockholders agreement with Partners Holdings) is satisfied, Partner Holdings will have certain approval rights (including, among others, over the appointment or termination of the Chief Executive Officer) and our board of directors will nominate individuals designated by Partner Holdings equal to one quarter of the board of directors.

## MARKET AND INDUSTRY DATA

The industry, market and competitive position data referenced throughout this Form 10-K are based on research, industry and general publications, including surveys and studies conducted by third parties. Industry publications, surveys and studies generally state that they have been obtained from sources believed to be reliable. We have not independently verified such third party information. While we are not aware of any misstatements regarding any industry, market or similar data presented herein, such data involve uncertainties and are subject to change based on various factors, including those discussed under the headings “Special Note Regarding Forward-Looking Statements” and “Risk Factors” in this Form 10-K. The M&A market data for announced and completed transactions in 2019 and 2018 referenced throughout this Form 10-K was obtained from Thomson Financial as of January 3, 2020 and January 4, 2019, respectively.

In this Form 10-K, we use the term “independent investment banks” or “independent advisors” to refer to investment banks primarily focused on advisory services and that conduct limited or no commercial banking or sales and trading activities. We use the term “global independent investment banks” to refer to independent investment banks with global coverage capabilities across all major industries and regions. We consider the global independent investment banks to be our publicly traded peers, Evercore Partners Inc., Greenhill & Co., Inc., Houlihan Lokey, Inc., Lazard Ltd, PJT Partners, Inc., and us.

## OTHER INFORMATION

Our website address is [www.moelis.com](http://www.moelis.com). We make available free of charge on the Investor Relations section of our website (<http://investors.moelis.com>) this Annual Report on Form 10-K (“Form 10-K”), Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed or furnished with the Securities and Exchange Commission (the “SEC”) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934; as amended (the “Exchange Act”). We also make available through our website other reports filed with or furnished to the SEC under the Exchange Act, including our Proxy Statements and reports filed by officers and directors under Section 16(a) of that Act, as well as our Code of Business Conduct and Ethics. From time to time we may use our website as a channel of distribution of material company information. Financial and other material information regarding the Company is routinely posted on and accessible at <http://investors.moelis.com>. In addition, you may automatically receive email alerts and other information about us by enrolling your email by visiting the “Contact Us” section at <http://investors.moelis.com>. We do not intend for information contained in our website to be part of this Form 10-K. The inclusion of our website in this Form 10-K does not include or incorporate by reference the information on our website into this Form 10-K.

### Item 1A. Risk Factors

#### Risks Related to Our Business

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

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

In addition, sustaining growth will require us to commit additional management, operational and financial resources and to maintain appropriate operational and financial systems to adequately support expansion, especially in instances where we open new offices that may require additional resources before they become profitable. See “—Our growth strategy may involve opening or acquiring new offices and expanding internationally and would involve hiring new Managing Directors and other senior professionals for these offices, which would require substantial investment by us and could materially and adversely affect our operating results.” There can be no assurance that we will be able to manage our expanding operations effectively, and any failure to do so could materially adversely affect our ability to grow revenue and control our expenses.

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

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

Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions. The future market and economic climate may deteriorate because of many factors beyond our control, including rising interest rates or inflation, international conflict, terrorism, natural disasters, a pandemic or political uncertainty.

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

Our revenue in any given period is dependent on the number of fee-paying clients in such period. We had 150 clients and 198 clients paying fees equal to or greater than \$1 million in 2019 and 2018, respectively. We may lose clients as a result of the sale or merger of a client, a change in a client’s senior management, competition from other financial advisors and financial institutions and other causes. A significant reduction in the number of fee-paying clients in any given period could reduce our revenue and adversely affect our operating results in such period.

***Our ability to retain our Managing Directors and our other professionals, including our executive officers, is critical to the success of our business.***

Our future success depends to a substantial degree on our ability to retain qualified professionals within our organization, including our Managing Directors. However, we may not be successful in our efforts to retain the required personnel as the market for qualified investment bankers is extremely competitive. Our investment bankers possess substantial experience and expertise and have strong relationships with our advisory clients. As a result, the loss of these professionals could jeopardize our relationships with clients and result in the loss of client engagements. For example, if any of our Managing Directors or other senior professionals, including our executive officers, or groups of professionals, were to join or form a competing firm, some of our current clients could choose to use the services of that competitor rather than our services. There is no guarantee that our compensation and non-competition arrangements with our Managing Directors provide sufficient incentives or protections to prevent our Managing Directors from resigning to join our competitors. In addition, some of our competitors have more resources than us which may allow them to attract some of our existing employees through compensation or otherwise. The departure of a number of Managing Directors or groups of professionals could have a material adverse effect on our business and our profitability.

We depend on the efforts and reputations of Mr. Moelis and our other executive officers. Our senior leadership team's reputations and relationships with clients and potential clients are critical elements in the success of our business. The loss of the services of our senior leadership team, in particular Mr. Moelis, could have a material adverse effect on our business, including our ability to attract clients.

***Substantially all of our revenue is derived from advisory fees. As a result, our revenue and profits are highly volatile on a quarterly basis and may cause the price of our Class A common stock to fluctuate and decline.***

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

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

In addition, we face the risk that certain clients may not have the financial resources to pay our agreed-upon advisory fees. Certain clients may also be unwilling to pay our advisory fees in whole or in part, in which case we may have to incur significant costs to bring legal action to enforce our engagement agreement to obtain our advisory fees.

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

In addition to recruiting and internal expansion, we may grow our core business through joint ventures, strategic investments or acquisitions.

In the case of joint ventures and strategic investments, such as Moelis Australia, we are subject to additional risks and uncertainties relating to governance and controls, in that we may be dependent upon personnel, controls and systems, including management of the business by third parties, and subject to, liability, losses or reputational damage relating to such personnel, controls and systems and the management decisions of third parties that are not under our control. Moelis Australia is a public company listed on the Australian Securities Exchange and the value of the shares held by us at any given time are subject to fluctuation as a result of their performance and prevailing market and business conditions. These fluctuations in value may be material.

In the event we make further strategic investments or acquisitions, we would face numerous risks and would be presented with financial, managerial and operational challenges, including the difficulty of integrating personnel, financial, accounting, technology and other systems and management controls.

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

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

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

We confront actual, potential or perceived conflicts of interest in our business. For instance, we face the possibility of an actual, potential or perceived conflict of interest where we represent a client on a transaction in which an existing client is a party. We may be asked by two potential clients to act on their behalf on the same transaction, including two clients as potential buyers in the same acquisition transaction, and we may act for both clients if both clients agree to us doing so. In each of these situations, we face the risk that our current policies, controls and procedures do not timely identify or appropriately manage such conflicts of interest.

It is possible that actual, potential or perceived conflicts could give rise to client dissatisfaction, litigation or regulatory enforcement actions. Appropriately identifying and managing actual or perceived conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation which could materially adversely affect our business in a number of ways, including a reluctance of some potential clients and counterparties to do business with us.

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

There have been a number of highly-publicized cases involving fraud or other misconduct by employees in the financial services industry, and there is a risk that our employees engage in misconduct that adversely affects our business. Last year, a former junior employee, who left our firm in 2014, was publicly charged with insider trading on two transactions announced in 2013 that we advised on. Our business often requires that we deal with confidential matters of great significance to our clients. Our employees' improper use or disclosure of confidential information provided by our clients could subject us to regulatory investigations or sanctions and we could suffer serious harm to our reputation, financial position, the trading price of our common stock, current client relationships and ability to attract future clients. In addition, our financial professionals and other employees are responsible for following proper measures to maintain the confidentiality of information we hold. If an employee's failure to do so results in the improper release of confidential information, we could be subject to reputational harm and legal liability, which could impair our ability to attract and retain clients and in turn materially adversely affect our business. We also face the risk that our employees engage in work place misconduct, such as sexual harassment or discrimination, despite our implementation of policies and training to prevent and detect misconduct. In addition to impairing our ability to attract and retain clients, such misconduct may also impair our ability to attract and retain talent resulting in a materially adverse affect on our business. It is not always possible to deter employee misconduct despite the precautions we take to prevent and detect misconduct. If our employees engage in misconduct, our business could be materially adversely affected.

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

As an advisory service firm, we depend to a large extent on our relationships with our clients and reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with our services, it may be more damaging in our business than in other businesses.

***We face strong competition from other financial advisory firms, many of which have the ability to offer clients a wider range of products and services than those we can offer, which could cause us to fail to win advisory mandates and subject us to pricing pressures that could materially adversely affect our revenue and profitability.***

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

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

Our primary competitors are large financial institutions, many of which have far greater financial and other resources than us and, unlike us, have the ability to offer a wider range of products, from loans, deposit taking and insurance to brokerage and trading, which may enhance their competitive position. They also regularly support investment banking, including financial advisory services, with commercial lending and other financial services and products in an effort to gain market share, which puts us at a competitive disadvantage and could result in pricing pressures or loss of opportunities, which could materially adversely affect our revenue and profitability. In addition, we may be at a competitive disadvantage with regard to certain of our competitors who are able to and often do, provide financing or market making services that are often a crucial component of the types of transactions on which we advise.

In addition to our larger competitors, over the last few years a number of independent investment banks that offer independent advisory services have emerged, with several showing rapid growth. As these independent firms or new entrants into the market seek to gain market share there could be pricing pressures, which would adversely affect our revenues and earnings.

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

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

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

As a participant in the financial services industry, we are subject to extensive financial regulation in the U.S. and internationally. We are subject to general laws and regulations in the jurisdictions in which we operate.

Our ability to conduct business and our operating results, including compliance costs, may be adversely affected as a result of any new requirements imposed by the Securities and Exchange Commission (“SEC”), FINRA or other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that regulate financial services firms or supervise financial markets. We may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. In addition, some of our clients or prospective clients may adopt policies that exceed regulatory requirements and impose additional restrictions affecting their dealings with us. Accordingly, we may incur significant costs to comply with U.S. and international regulation. In addition, new laws or regulations or changes in enforcement of existing laws or regulations applicable to our clients may adversely affect our business. For example, changes in antitrust enforcement could affect the level of M&A activity and changes in applicable regulations could restrict the activities of our clients and their need for the types of advisory services that we provide to them.

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

***We are exposed to risks and costs associated with protecting the integrity and security of our clients', employees' and others' personal data and other sensitive information.***

As part of our business, we manage, utilize and store sensitive or confidential client or employee data, including personal data. As a result, we are subject to various risks and costs associated with the collection, handling, storage and transmission of sensitive information, including those related to compliance with increasingly stringent U.S. and foreign data collection and privacy laws and other contractual obligations, as well as those associated with the compromise of our information systems collecting such information. For example, the European Union's General Data Protection Regulation ("GDPR"), which became effective in May 2018 and replaced the current data protection laws of each EU member state, requires companies to meet new and more stringent requirements regarding the handling of personal data. Any failure to comply with these regulations could expose us to liability and/or reputational damage.

If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client or employee data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through cyber-attacks, systems failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients and their related revenue in the future.

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

We face various cybersecurity and other operational risks related to our business on a day-to-day basis. We rely heavily on financial, accounting, communication and other information technology systems, including, without limitation, cloud based storage systems, and the people who operate them. These systems, including the systems of third parties on whom we rely, may fail to operate properly or become disabled as a result of tampering or a breach of our network security systems or otherwise.

Our clients typically provide us with sensitive and confidential information. We are dependent on information technology networks and systems to securely process, transmit and store such information and to communicate among our locations around the world and with our clients, alliance partners and vendors. We may be subject to attempted security breaches and cyber-attacks and a successful breach could lead to shutdowns or disruptions of our systems or third-party systems on which we rely and potential unauthorized disclosure of sensitive or confidential information. Breaches of our or third-party network security systems on which we rely could involve attacks that are intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer viruses, cyber-attacks and other means and could originate from a wide variety of sources, including foreign governments or other unknown third parties. If our or third-party systems on which we rely are compromised, do not operate properly or are disabled, we could suffer a disruption of our business, financial losses, liability to clients, regulatory sanctions and damage to our reputation. Phishing attacks and email spoofing attacks are often used to obtain information to impersonate employees or clients in order to, among other things, direct fraudulent bank transfers or obtain valuable information. Fraudulent transfers resulting from phishing attacks or email spoofing of our employees could result in a material loss of assets, reputational harm or legal liability and in turn materially adversely affect our business. In addition, our investment banking professionals and other employees are responsible for following proper measures to maintain the confidentiality of information we hold. If an employee's failure to do so results in the improper release of confidential information, or our systems are otherwise compromised or do not operate properly, we could suffer a disruption of our business, financial losses, liability to clients, regulatory sanctions and reputational harm and in turn materially adversely affect our business.

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

In addition, a disaster or other business continuity problem, such as a pandemic (for example, the coronavirus that surfaced in Wuhan, China), other man-made or natural disaster or disruption involving electronic communications or other services used by us or third parties with whom we conduct business, could lead us to experience operational challenges, and if we were unable to timely and successfully recover that could materially disrupt our business and cause material financial loss, regulatory actions, reputational harm or legal liability.

***Negative publicity regarding our business and our people could adversely impact our reputation and our business.***

We depend to a large extent on our reputation for integrity and high-caliber professional services to attract and retain clients. We may experience negative publicity from time to time relating to our business and our people, regardless of whether the allegations are valid. Such negative publicity may adversely affect our business in a number of ways, including whether potential clients choose to engage us and our ability to attract and retain talent.

***We may not be able to generate sufficient cash in the future to service any future indebtedness.***

Our ability to make scheduled payments on or to refinance any future debt obligations depends on our financial condition and operating performance. We cannot provide assurance that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal of, and interest on, any future indebtedness, including lease liabilities. If our cash flows and capital resources are insufficient to fund any future debt service obligations or contractual obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance such indebtedness.

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

In 2019, we earned approximately 15% of our revenues from our international operations. We intend to grow our non-U.S. business, and this growth is important to our overall success. In addition, many of our larger clients are non-U.S. entities seeking to enter into transactions involving U.S. businesses. Our international operations carry special financial and business risks, which could include the following:

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

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

***The U.K. exit from the European Union could adversely affect our business.***

On June 23, 2016, the U.K. voted to exit the European Union (“EU”). The U.K. exited the EU on January 31, 2020. During a transition period due to end December 31, 2020, the UK and the EU will determine the terms of their relationship. The UK will continue to comply with EU rules and regulations through December 31, 2020. The exit arrangements and future relationship between the EU and U.K. are currently uncertain and difficult to predict, and such uncertainty regarding their outcome may continue for a significant period of time. The exit arrangements and the uncertainty around them may have an adverse impact on M&A transactions in Europe and our business therefrom and increase our legal, compliance and operational costs in Europe.

***Our growth strategy may involve opening or acquiring new offices and expanding internationally and would involve hiring new Managing Directors and other senior professionals for these offices, which would require substantial investment by us and could materially and adversely affect our operating results.***

Our ability to grow our advisory business organically depends in part on our ability to open or acquire new offices, expand internationally and hire new Managing Directors and other senior professionals for these offices. We may not be successful in any efforts to open new offices, expand internationally or hire new Managing Directors and other senior professionals for these offices. The costs of opening a new office, expanding internationally and hiring the necessary personnel to staff the office are substantial. If we are not successful in these efforts, we may not be able to recover our investments or our substantial cost outlays, and new international operations may not achieve profitability.

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

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

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

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

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

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

Since we operate our business both in the U.S. and internationally, we are subject to many distinct broker-dealer, employment, labor, benefits and tax laws in each country in which we operate, including regulations affecting our employment practices and our relations with our employees and service providers. If we are required to comply with new regulations or new interpretations of existing regulations, or if we are unable to comply with these regulations or interpretations, our business could be adversely affected or the cost of compliance may make it difficult to expand into new international markets. Additionally, our competitiveness in international markets may be adversely affected by regulations requiring, among other things, the awarding of contracts to local contractors, the employment of local citizens and/or the purchase of services from local businesses or favoring or requiring local ownership.

## Risks Related to Our Organizational Structure

***Moelis & Company's only assets are its partnership interests in Group LP, its equity interest in the sole general partner of Group LP, Moelis & Company Group GP LLC, and its interests in its subsidiaries, and Moelis & Company is accordingly dependent upon distributions from Group LP to pay dividends, taxes and other expenses.***

Moelis & Company is a holding company, and its only assets are its partnership interests in Group LP, its equity interest in the sole general partner of Group LP, Moelis & Company Group GP LLC, and its interests in its subsidiaries. Moelis & Company has no independent means of generating revenue. Moelis & Company intends to cause Group LP to make distributions to its partners in an amount sufficient to cover all applicable taxes payable, other expenses and dividends, if any, declared by us.

Group LP is generally prohibited under Delaware law from making a distribution to a partner to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Group LP (with certain exceptions) exceed the fair value of its assets. Furthermore, certain subsidiaries of Group LP may be subject to similar legal limitations on their ability to make distributions to Group LP. Moreover, our regulated subsidiaries may be subject to regulatory capital requirements that limit the distributions that may be made by those subsidiaries.

Deterioration in the financial condition, earnings or cash flow of Group LP and its subsidiaries for any reason could limit or impair their ability to pay such distributions. Additionally, to the extent that Moelis & Company requires funds and Group LP is restricted from making such distributions under applicable law or regulation or under the terms of financing arrangements, or is otherwise unable to provide such funds, our liquidity and financial condition could be materially adversely affected.

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

As part of the process of preparing our consolidated statements of financial condition, we are required to estimate income taxes in each of the jurisdictions in which we operate. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our deferred tax assets. This process requires us to estimate our actual current tax liability and to assess temporary differences resulting from differing book versus tax treatment. Our effective tax rate and tax liability is based on the application of current income tax laws, regulations, and treaties. These laws, regulations, and treaties are complex, and the manner in which they apply to our facts and circumstance is sometimes open to interpretation. We believe our application of current laws, regulations, and treaties to be correct and sustainable upon examination by the tax authorities. However, the tax authorities could challenge our interpretation resulting in additional tax liability or adjustment to our income tax provision that could increase our effective tax rate. In addition, tax laws, regulations, or treaties enacted in the future may cause us to revalue our net deferred tax assets and have a material change to our effective tax rate.

***We will be required to pay our Managing Directors for certain tax benefits we may claim as a result of the tax basis step-up we receive in connection with follow-on offerings and related transactions. In certain circumstances, payments under the tax receivable agreement may be accelerated and/or significantly exceed the actual tax benefits we realize.***

Group LP Class A partnership units may be exchanged for shares of Class A common stock. On the date of our initial public offering in April 2014, we were treated for U.S. federal income tax purposes as having directly purchased Class A partnership units in Group LP from the then existing unitholders which resulted in an increase in the tax basis of the assets of Group LP that otherwise would not have been available. The exchange and purchases of Class A partnership units in Group LP in connection with the initial public offering and additional follow-on offerings, may also result in increases in the tax basis of the assets of Group LP that otherwise would not have been available. Such increases in tax basis are likely to increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of income tax we would otherwise be required to pay in the future. These increases in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent the increased tax basis is allocated to those capital assets. The Internal Revenue Service (the "IRS") may challenge all or part of these tax basis increases, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with our Managing Directors that provides for the payment by us to our Managing Directors of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of (a) the increases in tax basis attributable to our Managing Directors and (b) tax benefits related to imputed interest deemed to be paid by us as a result of this tax receivable agreement. While the actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, and the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of Group LP attributable to our interests in Group LP, during the expected term of the tax receivable agreement, the payments that we may make to our Managing Directors could be substantial.

Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, our Managing Directors generally will not reimburse us for any payments that may previously have been made under the tax receivable agreement. As a result, in certain circumstances we could make payments to the Managing Directors under the tax receivable agreement in excess of our cash tax savings. Our ability to achieve benefits from any tax basis increase, and the payments to be made under the tax receivable agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

In addition, the tax receivable agreement provides that, upon a merger, asset sale or other form of business combination or certain other changes of control or if, at any time, we elect an early termination of the tax receivable agreement, our (or our successor's) obligations with respect to exchanged or acquired Class A partnership units (whether exchanged or acquired before or after such change of control or early termination) would be based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement, and, in the case of certain early termination elections, that any Class A partnership units that have not been exchanged will be deemed exchanged for the market value of the Class A common stock at the time of termination. Consequently, it is possible, in these circumstances also, that the actual cash tax savings realized by us may be significantly less than the corresponding tax receivable agreement payments.

***If Moelis & Company were deemed an "investment company" under the Investment Company Act of 1940 as a result of its ownership of Group LP, applicable restrictions could make it impractical for us to continue our business as contemplated and could materially and adversely affect our operating results.***

If Moelis & Company were to cease participation in the management of Group LP, its interests in Group LP could be deemed an "investment security" for purposes of the Investment Company Act of 1940 (the "1940 Act"). Generally, a person is deemed to be an "investment company" if it owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items), absent an applicable exemption. Moelis & Company has no assets other than its partnership interests in Group LP and its equity interest in the sole general partner of Group LP, Moelis & Company Group GP LLC and its interests in its subsidiaries. A determination that this interest in Group LP was an investment security could result in Moelis & Company being an investment company under the 1940 Act and becoming subject to the registration and other requirements of the 1940 Act. We intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and have a material adverse effect on our business and operating results and the price of our Class A common stock.

***We and Old Holdings have entered into various arrangements, including a master separation agreement, which contains cross-indemnification obligations of us and Old Holdings.***

The master separation agreement that we entered into with Old Holdings provides, among other things, that Old Holdings generally will indemnify us for losses that we incur arising out of, or relating to, the businesses conducted by Old Holdings and losses that we incur arising out of, or relating to, Old Holdings' breach of the master separation agreement. In addition, we generally will indemnify Old Holdings for losses that Old Holdings incurs arising out of, or relating to, our business and losses Old Holdings' incurs arising out of, or relating to, our breach of the master separation agreement. We may not be able to recover any or all of the amount of indemnified losses from Old Holdings should it be financially unable to perform under its indemnification obligations. In addition, we may be required to make substantial payments under our indemnity obligations to Old Holdings, which could materially adversely affect our results of operations.

***The use of the “Moelis” brand name by either Old Holdings and its subsidiaries or Moelis Australia may expose us to reputational harm that could adversely affect our business should they take actions that damage the brand name.***

Old Holdings and Moelis Australia operate as separate legal entities. We have licensed to Old Holdings and its subsidiaries the use of the “Moelis” brand name for certain purposes, including in connection with asset management activities. We have licensed to Moelis Australia the use of the “Moelis” brand name in connection with its financial advisory services business, an equity capital markets and research, sales and trading business covering Australian public equity securities and asset management businesses. As Old Holdings and its subsidiaries and Moelis Australia historically have and will continue to use the “Moelis” brand name, and because we no longer control these entities, there is a risk of reputational harm to us if any of Old Holdings, its subsidiaries or Moelis Australia, among other things, have engaged, or in the future were to engage in poor business practices, or were to experience adverse results or otherwise damage the reputational value of the “Moelis” brand name. These risks could adversely affect our revenue and our business prospects.

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

***Control by Mr. Moelis of the voting power in Moelis & Company may give rise to actual or perceived conflicts of interests.***

Moelis & Company is controlled by Mr. Moelis, through his control of Partner Holdings. Mr. Moelis’ interests may differ from those of other stockholders. As of December 31, 2019, Mr. Moelis controls approximately 68% of the voting interest in Moelis & Company primarily through his control of Partner Holdings, which currently holds all outstanding Class B common stock. The shares of Class B common stock entitle Partner Holdings to (i) for so long as the Class B Condition is satisfied, ten votes per share and (ii) after the Class B Condition ceases to be satisfied, one vote per share. In addition, Moelis & Company has entered into a stockholders agreement with Partner Holdings, pursuant to which, for so long as the Class B Condition is satisfied, Partner Holdings has certain approval rights over certain transactions. As a result, because Mr. Moelis has a majority of the voting power in Moelis & Company and our amended and restated certificate of incorporation provides for cumulative voting, he has the ability to elect all of the members of our board of directors and thereby to control our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of Class A common stock or other securities, and the declaration and payment of dividends. Mr. Moelis is able to determine the outcome of all matters requiring stockholder approval and is able to cause or prevent a change of control of Moelis & Company or a change in the composition of our board of directors and could preclude any unsolicited acquisition of Moelis & Company. Mr. Moelis’ voting control could deprive our stockholders of an opportunity to receive a premium for their Class A common stock as part of a sale of Moelis & Company and might ultimately affect the market price of our Class A common stock. As a result of the control exercised by Mr. Moelis over us, our agreements entered into with him prior to or in connection with our initial public offering may not have been negotiated on “arm’s length” terms. We cannot assure you that we would not have received more favorable terms from an unaffiliated party.

***We are a “controlled company” within the meaning of the rules of the New York Stock Exchange and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You do not have the same protections afforded to stockholders of companies that are subject to such requirements. If we cease to be exempt from such corporate governance requirements, compliance costs associated with such requirements may increase.***

Mr. Moelis, through his control of Partner Holdings, holds more than 50% of the voting power of our shares eligible to vote. As a result, we are a “controlled company” under the rules of the New York Stock Exchange (“NYSE”). Under these rules, a company of which more than 50% of the voting power in the election of directors is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements, including the requirements that (i) a majority of the board of directors consist of independent directors and (ii) that the board of directors have compensation and nominating and corporate governance committees composed entirely of independent directors.

For at least some period, we intend to utilize these exemptions. As a result, we do not have a majority of independent directors on our board of directors. Accordingly, although we may transition to a board with a majority of independent directors prior to the time we cease to be a “controlled company,” for such period of time you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements set by the NYSE. In the event that we cease to be a “controlled company” and our shares continue to be listed on the NYSE, we will be required to comply with these provisions within the applicable transition periods. In addition, certain one-time costs may be incurred to transition to new corporate governance requirements and other recurring costs, such as director compensation, may increase with additional independent directors and/or expanded governance committees. These exemptions do not modify the independence requirements for our audit committee, and we intend to comply with the applicable requirements of the SEC and the NYSE with respect to our audit committee within the applicable time frame.

***Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and share price.***

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

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

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

***Our share price may decline due to the large number of shares eligible for future sale and for exchange.***

The market price of our Class A common stock could decline as a result of sales of a large number of shares of Class A common stock in the market as a result of and after the offering contemplated by our Registration Statement on Form S-3 Registration No. 333-203499 or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. As of February 12, 2020, we had outstanding 50,255,097 shares of Class A common stock, most of which may be resold immediately in the public market. In addition, holders of Group LP Class A partnership units (including our Managing Directors) may elect to exchange their units and they may receive shares of our Class A common stock, subject to certain contractual restrictions. Sumitomo Mitsui Banking Corporation (“SMBC”), our strategic alliance partner, currently owns 2,560,107 Class A partnership units, which have been eligible for exchange since July 1, 2015. The remaining 10,397,915 Class A partnership units, 4,876,314 of which are directly or indirectly owned by Mr. Moelis, will be eligible for exchange following the sixth anniversary of our initial public offering. In order to satisfy the Class B Condition, Mr. Moelis must maintain directly or indirectly ownership of an aggregate of at least 4,458,445 shares of Class A Common Stock and Equivalent Class A Shares (which includes Group LP Class A partnership units and restricted stock units of the Company). The general partner of Group LP intends to establish redemption dates from time to time in the ordinary course, including during 2020, in accordance with the terms of the Group LP limited partnership agreement and the Company does not intend to disclose future redemption dates. Upon such redemption and exchange of Group LP partnership units, shares of Class A common stock that are held by the Group LP Class A partnership unitholders (including our Managing Directors) will be eligible for resale immediately to the public market. Further, Partner Holdings holds 10,397,915 shares of our Class B common stock, which will be convertible into 5,751 shares of our Class A common stock.

Certain Class A partnership unitholders in Group LP and holders of our Class A common stock are parties to agreements with us pursuant to which we have granted them registration rights. Under those agreements, these persons will have the ability to cause us to register the shares of our Class A common stock (including the shares they could acquire upon exchange of Class A partnership units in Group LP), subject to certain contractual restrictions. See “Exchanges of Group LP Class A Partnership Units For Moelis & Company Class A Common Stock.”

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

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

*While we currently intend to pay a quarterly cash dividend to our stockholders, we may change our dividend policy at any time. There can be no assurance that we will continue to declare cash dividends.*

On February 4, 2020, the Board of Directors of Moelis & Company declared a special dividend of \$0.75 per share in addition to a regular quarterly dividend of \$0.51 per share. The \$1.26 per share will be paid on March 27, 2020 to Class A common stockholders of record on February 18, 2020. Although we currently intend to pay a quarterly cash dividend to our stockholders, we have no obligation to do so, and our dividend policy may change at any time. Returns on stockholders' investments will primarily depend on the appreciation, if any, in the price of our Class A common stock. Whether we continue and the amount and timing of any dividends are subject to capital availability and periodic determinations by our Board of Directors that cash dividends are in the best interest of our stockholders and are in compliance with all respective laws and agreements of the Company applicable to the declaration and payment of cash dividends. Future dividends, including their timing and amount, may be affected by, among other factors: general economic and business conditions; our financial condition and operating results; our available cash and current anticipated cash needs; capital requirements; contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders; and such other factors as our board of directors may deem relevant. Our dividend payments may change from time to time, and we cannot provide assurance that we will continue to declare dividends in any particular amounts or at all. The reduction in or elimination of our dividend payments could have a negative effect on our stock price.

*Anti-takeover provisions in our organizational documents and Delaware law could delay or prevent a change in control.*

Our amended and restated certificate of incorporation and bylaws may delay or prevent a merger or acquisition that a stockholder may consider favorable by permitting our board of directors to issue one or more series of preferred stock, requiring advance notice for stockholder proposals and nominations and placing limitations on convening stockholder meetings. In addition, there is no cumulative voting in the election of directors, and our amended and restated certificate of incorporation provides that directors may be removed, with or without cause, only with the affirmative vote of at least 80% of the voting interest of stockholders entitled to vote; provided, however, that for so long as the Class B Condition is satisfied, directors may be removed, with or without cause, with the affirmative vote of a majority of the voting interest of stockholders entitled to vote. In addition, we are subject to provisions of the Delaware General Corporation Law that restrict certain business combinations with interested stockholders. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm our stock price. See "Description of Capital Stock."

**Item 1B. Unresolved Staff Comments**

Not applicable.

**Item 2. Properties**

Our principal executive offices are located in leased office space at 399 Park Avenue, 5th Floor, New York, New York 10022. We lease the space for our offices in Amsterdam, Beijing, Boston, Chicago, Dubai, Frankfurt, Hong Kong, Houston, London, Los Angeles, Mumbai, Paris, San Francisco, São Paulo and Washington DC. We do not own any real property. We consider these arrangements to be adequate for our present needs.

**Item 3. Legal Proceedings**

In the ordinary course of business, from time to time the Company and its affiliates are involved in judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, government agencies and self-regulatory organizations conduct periodic examinations and initiate administrative proceedings regarding the Company's business, including, among other matters, compliance, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, investment advisor, or its directors, officers or employees. In view of the inherent difficulty of determining whether any loss in connection with 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, the Company 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, the Company believes, based on current knowledge and after consultation with counsel, that it is 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 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock is traded on the New York Stock Exchange under the symbol "MC." There is no publicly traded market for our Class B common stock, which is held by Moelis & Company Partner Holdings LP.

As of February 12, 2020, there were approximately 109 holders of record of our Class A common stock. This does not include the number of shareholders that hold shares in "street-name" through banks or broker-dealers.

#### Dividend Policy

Since the IPO in April 2014, the Company has regularly declared and paid quarterly dividends and plans to continue paying regularly quarterly dividends. The Company has increased the quarterly dividend at least annually. On February 4, 2020, the Board of Directors of Moelis & Company declared a special dividend of \$0.75 per share in addition to a quarterly dividend of \$0.51 per share. The \$1.26 per share will be paid on March 27, 2020 to Class A common stockholders of record on February 18, 2020.

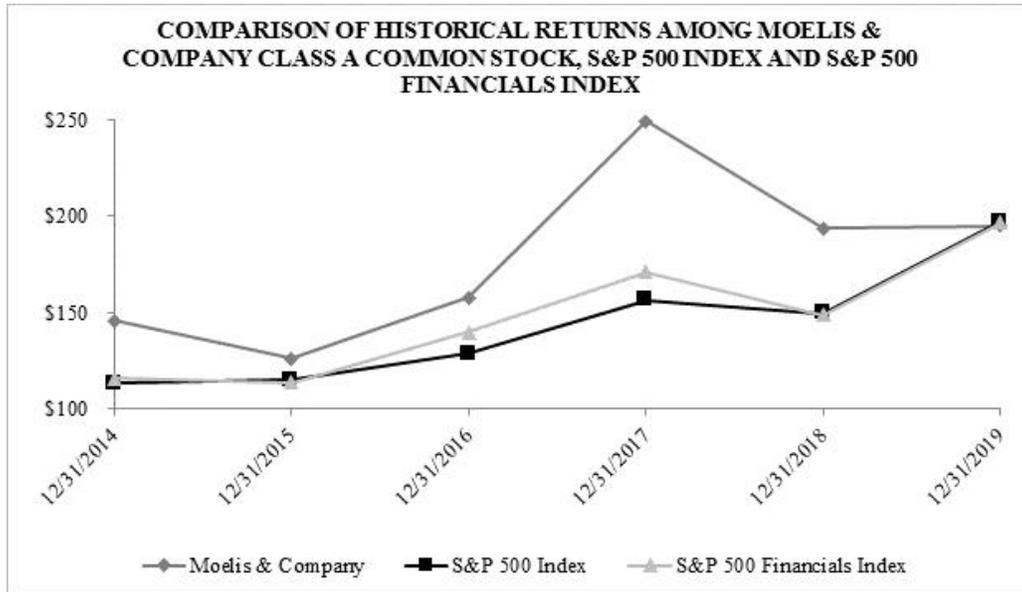
Concurrent with the payment of dividends to the holders of Class A common stock, the Company generally pays dividend equivalents, in the form of unvested restricted stock units ("RSU"). RSUs are typically granted as part of annual incentive compensation and to new hires. The dividend equivalents have the same vesting and delivery terms as the underlying RSUs.

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

## Stock Performance

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

The stock performance graph below compares the performance of an investment in our Class A common stock, from December 31, 2014 through December 31, 2019, with that of the S&P 500 Index and the S&P Financial Index. The graph assumes \$100 was invested at the close of business on December 31, 2014. It also assumes that dividends were reinvested on the date of payment without payment of any commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance.



## Share Repurchases in the Fourth Quarter of 2019

The following table sets forth information regarding the Company’s purchases of its Class A common stock on a monthly basis during the fourth quarter of 2019. Share repurchases are recorded on a trade date basis.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plan Or Programs(2)
October 1 - October 31	175,170	\$ 30.97	175,170	\$ 88.1 million
November 1 - November 30	50,780	35.56	—	88.1 million
December 1 - December 31	59,002	31.71	53,085	86.4 million
<b>Total</b>	<b>284,952</b>	<b>\$ 31.94</b>	<b>228,255</b>	<b>\$ 86.4 million</b>

(1) These include treasury transactions arising from net settlement of equity awards to satisfy minimum tax obligations.

(2) In February 2019, the Board of Directors authorized the repurchase of up to \$100 million of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will be opportunistic and measured in nature and will depend on a variety of factors, including price and market conditions.

## **Equity Compensation Plan Information**

See Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters—Equity Compensation Plan Information.”

## **Item 6. Selected Financial Data**

The following selected financial and other data should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical financial statements and related notes included elsewhere in this Form 10-K.

The selected historical financial data for the years ended December 31, 2019, 2018 and 2017 and as of December 31, 2019 and 2018 have been derived from our audited consolidated financial statements included this Form 10-K.

We derived the selected historical financial data for the years ended December 31, 2016 and 2015 and as of December 31, 2017, 2016 and 2015 from our audited consolidated financial statements which are not included in this Form 10-K.

(\$ in thousands, except per share data)	Year Ended December 31,				
	2019 <sup>(1)</sup>	2018 <sup>(2)</sup>	2017 <sup>(3)</sup>	2016 <sup>(4)</sup>	2015 <sup>(5)</sup>
<b>Statement of Operations Data</b>					
Revenues	\$ 746,534	\$ 885,840	\$ 684,615	\$ 613,373	\$ 551,863
Expenses:					
Compensation and benefits	488,439	513,863	401,384	360,893	311,224
Non-compensation expenses	143,552	145,196	118,949	91,391	103,136
Total operating expenses	631,991	659,059	520,333	452,284	414,360
Operating income (loss)	114,543	226,781	164,282	161,089	137,503
Other income and expenses	32,962	11,671	186,069	5,585	6,561
Income (loss) before income taxes	147,505	238,452	350,351	166,674	144,064
Provision for income taxes	11,813	30,448	223,827	24,809	23,847
Net income (loss)	\$ 135,692	\$ 208,004	\$ 126,524	\$ 141,865	\$ 120,217
Net income (loss) attributable to noncontrolling interest	30,597	67,324	97,124	103,478	87,113
Net income (loss) attributable to Moelis & Company	\$ 105,095	\$ 140,680	\$ 29,400	\$ 38,387	\$ 33,104
Weighted-average shares of Class A common stock outstanding					
Basic	50,373,874	43,216,358	30,597,058	20,933,757	20,021,652
Diluted	55,513,149	50,690,528	37,675,511	24,242,302	21,362,571
Net income (loss) attributable to holders of shares of Class A common stock per share					
Basic	\$ 2.09	\$ 3.26	\$ 0.96	\$ 1.83	\$ 1.65
Diluted	\$ 1.89	\$ 2.78	\$ 0.78	\$ 1.58	\$ 1.55
Dividends declared per share of Class A common stock	\$ 3.25	\$ 4.88	\$ 2.48	\$ 3.29	\$ 1.00
<b>Statement of Financial Condition Data (period end)</b>					
Total assets	\$ 1,071,699	\$ 914,375	\$ 699,068	\$ 598,800	\$ 539,461
Total liabilities	677,872	542,622	354,812	347,359	282,043
Equity	393,827	371,753	344,256	251,441	257,418
<b>Other Data and Metrics</b>					
Bankers at period-end	609	583	512	446	462
Managing Directors at period-end	126	125	118	102	105
Number of fee-paying clients	265	308	311	305	269
Number of fee-paying clients ≥ \$1M	150	198	175	167	139
% of total revenue from top 10 transactions	23 %	18 %	18 %	20 %	25 %

- Results of operations for the year ended December 31, 2019 include approximately \$1.1 million of expense associated with the amortization of restricted stock units and stock options granted in connection with the IPO. In addition, results included \$20.7 million in gains recorded to other income and expenses from the sale of 20.5 million shares of Moelis Australia common stock.
- Results of operations for the year ended December 31, 2018 include approximately \$3.5 million of expense associated with the amortization of restricted stock units and stock options granted in connection with the IPO. Revenues include \$16.7 million of reimbursable expenses and \$4.8 million for transactions recognized during 2018 that closed during the subsequent period, both related to the adoption of ASU 2014-09, "Revenue from Contracts with Customers". Prior to ASU 2014-09, such reimbursements would have decreased non-compensation expenses by \$16.7 million.

- (3) Results of operations for the year ended December 31, 2017 include approximately \$4.2 million of expense associated with the amortization of restricted stock units and stock options granted in connection with the IPO. In addition, other income and expenses includes a gain of approximately \$134.7 million from the reduction in liability pursuant to the tax receivable agreement, and provision for income taxes includes expense of approximately \$181.0 million principally from the remeasurement of the Company's net deferred tax assets, both in connection with the Tax Cuts and Jobs Act enacted on December 22, 2017. Other income and expenses also includes \$41.7 million of gains from Moelis Australia's IPO in April 2017 and subsequent share issuances through the remainder of the year.
- (4) Results of operations for the year ended December 31, 2016 include approximately \$5.2 million of expense associated with the amortization of restricted stock units and stock options granted in connection with the IPO.
- (5) Results of operations for the year ended December 31, 2015 include approximately \$5.8 million of expense associated with the amortization of restricted stock units and stock options granted in connection with the IPO.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Form 10-K. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the sections entitled "Risk Factors" and "Special Note Regarding Forward-Looking Statements" and elsewhere in this Form 10-K.*

### Executive Overview

Moelis & Company is a leading global independent investment bank that provides innovative strategic advice and solutions to a diverse client base, including corporations, governments and financial sponsors. We assist our clients in achieving their strategic goals by offering comprehensive integrated financial advisory services across all major industry sectors. With 20 geographical locations in the Americas, Europe, the Middle East, Asia and Australia, we advise clients around the world on their most critical decisions, including mergers and acquisitions, recapitalizations and restructurings, capital markets and other corporate finance matters. Our ability to provide confidential, independent advisory services to our clients across sectors and regions and through all phases of the business cycle has led to long-term client relationships and a diversified revenue base.

As of December 31, 2019, we served our clients globally with 609 advisory bankers. We continue to grow our firm organically through internal promotions and hiring highly talented Managing Directors who all help to expand our sector, regional and product expertise.

We generate revenues primarily from providing advisory services on transactions that are subject to individually negotiated engagement letters which set forth our fees. We generally generate fees at key transaction milestones, such as closing, the timing of which is outside of our control. As a result, revenues and net income in any period may not be indicative of full year results or the results of any other period and may vary significantly from year to year and quarter to quarter. The performance of our business depends on the ability of our professionals to build relationships with clients over many years by providing trusted advice and exceptional transaction execution.

### Business Environment and Outlook

Economic and global financial conditions can materially affect our operational and financial performance. See "Risk Factors" elsewhere in this Form 10-K for a discussion of some of the factors that can affect our performance. The M&A market data for announced and completed transactions in 2019 and 2018 referenced throughout this Form 10-K was obtained from Thomson Financial as of January 3, 2020 and January 4, 2019, respectively.

For the year ended December 31, 2019, we earned revenues of \$746.5 million, a decrease of 16% from the \$885.8 million earned during the same period in 2018. This compares with an 8% decrease in the number of global completed M&A transactions greater than \$100 million in the same period. The decrease in revenues was primarily driven by fewer transaction completions compared to the prior year period, partially offset by higher average fees earned per completed transaction.

In the U.S., which has been a particularly strong driver of our revenues, we are observing many companies pursue M&A as they seek to obtain a competitive advantage in their business models. In addition, based on historical experience, we believe the current economic backdrop (technological disruption, shareholder activism, record pools of capital being deployed by private equity firms and sovereign wealth funds, high corporate cash balances, relatively low interest rates and availability of credit), provides a solid foundation for sustained M&A activity. However, the global M&A market slowed during 2019 with completions down 8% versus the prior year period as equity market volatility and trade-war tensions impacted the deal-making environment. In addition, the number of U.S. financial sponsor M&A completions greater than \$100 million declined 14% versus the prior year, which also negatively impacted our 2019 results. In Europe, we continue to see slower activity, partially attributable to geo-political issues such as the U.K.'s exit from the EU. Lastly, restructuring activity continues to be a steady contributor to our business despite the low default environment.

Our team of investment banking professionals continues to gain traction and we expect global collaboration among them to deepen and the advice provided to resonate with clients. Our current conversations with clients remain strong, and we continue to experience demand for independent advice as clients evaluate their strategic alternatives.

## Results of Operations

The following is a discussion of our results of operations for the years ended December 31, 2019 and 2018. For a discussion of our results of operations for the year ended December 31, 2017, refer to “Item 7- Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our annual report on Form 10-K for the year ended December 31, 2018.

(\$ in thousands)	Year Ended December 31,			Variance	
	2019	2018	2017	2019 vs 2018	2018 vs 2017
Revenues	\$ 746,534	\$ 885,840	\$ 684,615	-16%	29%
Expenses:					
Compensation and benefits	488,439	513,863	401,384	-5%	28%
Non-compensation expenses	143,552	145,196	118,949	-1%	22%
Total operating expenses	631,991	659,059	520,333	-4%	27%
Operating income (loss)	114,543	226,781	164,282	-49%	38%
Other income and (expenses)	32,962	11,671	186,069	N/M	N/M
Income (loss) before income taxes	147,505	238,452	350,351	-38%	N/M
Provision for income taxes	11,813	30,448	223,827	-61%	N/M
Net income (loss)	\$ 135,692	\$ 208,004	\$ 126,524	-35%	N/M

N/M = not meaningful

### Revenues

We operate in a highly competitive environment. Each revenue-generating engagement is separately solicited, awarded and negotiated, and there are usually no long-term contracted sources of revenue. As a consequence, our fee-paying client engagements are not predictable, and high levels of revenues in one period are not necessarily predictive of continued high levels of revenues in future periods. To develop new business, our professionals maintain an active dialogue with a large number of existing and potential clients. We add new clients each year as our bankers continue to expand their relationships, as we hire senior bankers who bring their client relationships and as we receive introductions from our relationship network of senior executives, board members, attorneys and other third parties. We also lose clients each year as a result of the sale or merger of clients, changes in clients’ senior management, competition from other financial services firms and other causes.

We earn substantially all of our revenues from advisory engagements, and, in many cases, we are not paid until the completion of an underlying transaction. The vast majority of our advisory revenues are recognized over time, although the recognition of our transaction fees are constrained until the engagement is substantially complete.

Complications that may terminate or delay a transaction include failure to agree upon final terms with the counterparty, failure to obtain required regulatory consents, failure to obtain board or stockholder approvals, failure to secure financing, adverse market conditions or unexpected operating or financial problems related to either party to the transaction. In these circumstances, we often do not receive advisory fees that would have been received if the transaction had been completed, despite the fact that we may have devoted considerable time and resources to the transaction. Barriers to the completion of a restructuring transaction may include a lack of anticipated bidders for the assets of our client or the inability of our client to restructure its operations or indebtedness due to a failure to reach agreement with its creditors. In these circumstances, our fees are generally limited to monthly retainer fees and reimbursement of certain out-of-pocket expenses.

We do not allocate our revenue by the type of advice we provide because of the complexity of the transactions on which we may earn revenue and our holistic approach to client service. For example, a restructuring engagement may evolve to require a sale of all or a portion of the client, M&A assignments can develop from relationships established on prior restructuring engagements, and capital markets expertise can be instrumental on both M&A and restructuring assignments.

*Year Ended December 31, 2019 versus 2018*

Revenues were \$746.5 million for the year ended December 31, 2019 compared with \$885.8 million for the same period in 2018, representing a decrease of 16%. The decrease in revenues was primarily driven by fewer transaction completions during the period, partially offset by higher average fees earned per completed transaction.

The number of fee-paying clients decreased year-over-year from 308 clients in 2018 to 265 clients in 2019, and the number of clients who paid fees equal to or greater than \$1 million decreased from 198 clients in 2018 to 150 clients in 2019.

**Operating Expenses**

The following table sets forth information relating to our operating expenses:

(\$ in thousands)	Year Ended December 31,			Variance	
	2019	2018	2017	2019 vs 2018	2018 vs 2017
<b>Expenses:</b>					
Compensation and benefits	\$ 488,439	\$ 513,863	\$ 401,384	-5 %	28 %
% of revenues	65 %	58 %	59 %		
Non-compensation expenses	\$ 143,552	\$ 145,196	\$ 118,949	-1 %	22 %
% of revenues	19 %	16 %	17 %		
Total operating expenses	\$ 631,991	\$ 659,059	\$ 520,333	-4 %	27 %
% of revenues	85 %	74 %	76 %		

Our operating expenses are classified as compensation and benefits expenses and non-compensation expenses, and headcount is the primary driver of the level of our expenses. Compensation and benefits expenses account for the majority of our operating expenses. Non-compensation expenses, which include the costs of professional fees, travel and related expenses, communication, technology and information services, occupancy, depreciation and other expenses, generally have been less significant in comparison with compensation and benefits expenses.

*Year Ended December 31, 2019 versus 2018*

Operating expenses were \$632.0 million for the year ended December 31, 2019 and represented 85% of revenues, compared with \$659.1 million for the same period in 2018 which represented 74% of revenues. The decrease in operating expenses was primarily driven by lower compensation expense due to lower revenues as compared to the prior year period.

*Compensation and Benefits Expenses*

Our compensation and benefits expenses are determined by management based on revenues earned, the competitiveness of the prevailing labor market and anticipated compensation requirements for our employees, the level of recruitment of new Managing Directors, the amount of compensation expenses amortized for equity awards and other relevant factors.

Our compensation expenses consist of base salary and benefits, annual incentive compensation payable as cash bonus awards, including certain amounts subject to clawback and contingent upon a required period of service (“contingent cash awards”) and amortization of equity-based compensation awards. Base salary and benefits are paid ratably throughout the year. Equity awards are amortized into compensation expenses on a graded basis (based upon the fair value of the award at the time of grant) during the service period over which the award vests, which is typically four or five years. The awards are recorded within equity as they are expensed. Contingent cash awards are amortized into compensation expenses over the required service period. Cash bonuses, which are accrued throughout the year, are discretionary and dependent upon a number of factors including the performance of the Company and are generally paid during the first two months of the year with respect to prior year performance. The equity component of the annual incentive award is determined with reference to the Company’s estimate of grant date fair value, which in turn determines the number of equity awards granted subject to a vesting schedule.

Our compensation expenses are primarily based upon revenues, prevailing labor market conditions and other factors that can fluctuate, including headcount, and as a result, our compensation expenses may fluctuate materially in any particular period. Accordingly, the amount of compensation expenses recognized in any particular period may not be consistent with prior periods or indicative of future periods.

#### *Year Ended December 31, 2019 versus 2018*

For the year ended December 31, 2019, compensation-related expenses of \$488.4 million represented 65% of revenues, compared with \$513.9 million which represented 58% of revenues in the prior year. The decrease in compensation expenses was primarily driven by decreased revenues which resulted in lower bonus expense.

Our fixed compensation costs, which are primarily the sum of base salaries, payroll taxes and benefits and the amortization of previously issued equity and contingent cash awards, were \$328.4 million and \$316.8 million for the years ended December 31, 2019 and 2018, respectively. The increase in fixed compensation costs relates to increased headcount and higher equity amortization as compared to the prior year. The aggregate amount of discretionary cash bonus expenses, which generally represents the excess amount of total compensation over base compensation and amortization of equity and contingent cash awards, was \$160.0 million and \$197.1 million for the years ended December 31, 2019 and 2018, respectively. The combination of the discretionary and fixed compensation expenses represents the overall compensation expense pool. The decrease in discretionary cash bonus expense is primarily related to lower revenues earned during 2019 compared to 2018.

#### *Non-Compensation Expenses*

Our non-compensation expenses include the costs of occupancy, professional fees, communication, technology and information services, travel and related expenses, depreciation and other expenses. Beginning in 2018, any expenses reimbursed by clients are presented within revenues on the consolidated statement of operations, except for certain transactions where the expenses are deferred and presented within prepaid expenses and other assets on the consolidated statements of financial condition. Prior to 2018, client expense reimbursements were netted within non-compensation expenses within the consolidated statement of operations.

Historically, our non-compensation expenses associated with business development have increased as we have increased headcount and the related non-compensation support costs which results from growing our business. This trend may continue as we expand into new sectors, geographies and products to serve our clients' growing needs.

#### *Year Ended December 31, 2019 versus 2018*

Non-compensation expenses were \$143.6 million in the year ended December 31, 2019, representing 19% of revenues, compared with \$145.2 million, or 16% in the prior year. Non-compensation expenses decreased compared with the same period of 2018 primarily due to reduced professional fees from transaction related charges, partially offset by marginal increases in all other non-compensation expense categories, except travel and related expenses. Non-compensation expenses increased as a percentage of revenues primarily as a result of a decline in revenues for the year ended December 31, 2019.

#### *Other Income and Expenses*

Other income and expenses consists of earnings from equity method investments, gains and losses on investments, interest income and expense, and other infrequent gains or losses.

#### *Year Ended December 31, 2019 versus 2018*

On September 2, 2019 and November 4, 2019, the Company sold 12.5 million and 8.0 million shares of Moelis Australia common stock, respectively. These transactions were the first monetization events of the Company's ownership in Moelis Australia, an investment in which our bankers have actively been engaged with since its formation. These transactions resulted in gains of \$12.6 million and \$8.1 million, respectively, recorded in other income and expenses on the consolidated statements of operations for the year ended December 31, 2019. As a result, the Company's ownership interest in Moelis Australia was reduced.

#### *Provision for Income Taxes*

The Company's operations are comprised of entities that are organized as limited liability companies and limited partnerships. For U.S. federal income tax purposes, taxes related to income earned by these entities represent obligations of their interest holders. In connection with the Company's reorganization and IPO, the Company became subject to U.S. corporate, federal, state, and local income tax on its allocable share of results of operations from Group LP.

### *Years Ended December 31, 2019 versus 2018*

The Company's provision for income taxes and effective tax rates were \$11.8 million and 8% and \$30.4 million and 13% for the years ended December 31, 2019 and 2018, respectively. The income tax provision and effective tax rate for the aforementioned periods primarily reflect the Company's allocable share of earnings from Group LP at the prevailing U.S. federal, state, and local corporate income tax rate, and the impact of the excess tax benefit recognized in connection with equity-based compensation delivered at a price above the grant date price.

### **Liquidity and Capital Resources**

Our current assets have historically been comprised of cash, short term liquid investments and receivables related to fees earned from providing advisory services. Our current liabilities are primarily comprised of accrued expenses, including accrued employee compensation. We pay a significant portion of incentive compensation during the first two months of each calendar year with respect to the prior year's results. We also distribute estimated partner tax payments primarily in the first quarter of each year with respect to the prior year's operating results. Therefore, levels of cash generally decline during the first quarter of each year after incentive compensation has been paid to our employees and estimated tax payments have been distributed to partners. Cash before dividends and share buybacks then typically builds over the remainder of the year.

We evaluate our cash needs on a regular basis in light of current market conditions. Cash and cash equivalents include all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less from the date of purchase. As of December 31, 2019 and December 31, 2018, the Company had cash equivalents of \$96.0 million and \$201.4 million, respectively, invested in U.S. Treasury instruments and government securities money market. Additionally, as of December 31, 2019 and December 31, 2018, the Company had cash of \$71.8 million and \$59.7 million, respectively, maintained in U.S. and non-U.S. bank accounts, of which most bank account balances exceeded the U.S. Federal Deposit Insurance Corporation ("FDIC") and U.K. Financial Services Compensation Scheme ("FSCS") coverage limits.

In addition to cash and cash equivalents, we hold various types of government debt securities that are classified as investments on our consolidated statements of financial condition as they have original maturities of three months or more from the date of purchase. The Company held \$174.0 million and \$80.5 million of U.S. treasury instruments and government debt securities classified as investments as of December 31, 2019 and 2018, respectively.

Our liquidity is highly dependent upon cash receipts from clients which generally requires the successful completion of transactions. The timing of receivable collections typically occurs within 60 days of billing. As of December 31, 2019 and 2018 accounts receivable were \$45.1 million and \$54.4 million, respectively, net of allowances of \$4.1 million and \$2.0 million, respectively.

To provide for additional working capital and other general corporate purposes, we maintain a \$65.0 million revolving credit facility that matures on June 30, 2020. Advances on the facility bear interest at the greater of a fixed rate of 3.50% per annum or at the Company's option of (i) LIBOR plus 1% or (ii) Prime minus 1.50%. As of December 31, 2019, the Company had no borrowings under the credit facility.

As of December 31, 2019, the Company's available credit under this facility was \$60.0 million as a result of the issuance of an aggregate amount of \$5.0 million of various standby letters of credit, which were required in connection with certain office leases and other agreements. The Company incurs a 1% per annum fee on the outstanding balances of issued letters of credit.

On February 4, 2020, the Board of Directors of Moelis & Company declared a special dividend of \$0.75 per share in addition to a regular quarterly dividend of \$0.51 per share. The \$1.26 per share will be paid on March 27, 2020 to Class A common stockholders of record on February 18, 2020. During the year ended December 31, 2019, the Company paid aggregate dividends of \$3.25 per share which included a special dividend of \$1.25 per share and four regular quarterly dividends of \$0.50 per share.

In February 2019, the Board of Directors authorized the repurchase of up to \$100 million of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date. This new authorization replaced the former repurchase program and the remaining authorization under the program was eliminated. During the years ended December 31, 2019 and 2018, the Company repurchased 1,331,443 and 718,699 shares, respectively, pursuant to the Company's share repurchase program and shares repurchased from its employees for the purpose of settling tax liabilities incurred upon delivery of equity-based compensation awards. The remaining balance of shares authorized for repurchase under the program was \$86.4 million as of December 31, 2019.

### ***Regulatory Capital***

We actively monitor our regulatory capital base. Our principal subsidiaries are subject to regulatory requirements in their respective jurisdictions to ensure general financial soundness and liquidity. This requires, among other things, that we comply with certain minimum capital requirements, record-keeping, 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 12 of the consolidated financial statements as of December 31, 2019 for further information. These regulations differ in the United States, United Kingdom, Hong Kong and other countries in which we operate a registered broker-dealer. The license under which we operate in each such country is meant to be appropriate to conduct an advisory business. We believe that we provide each of our subsidiaries with sufficient capital and liquidity, consistent with their business and regulatory requirements.

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

In connection with the IPO in April 2014, we entered into a tax receivable agreement with our eligible Managing Directors that provides for the payment to eligible Managing Directors of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we realize as a result of (a) the increases in tax basis attributable to exchanges by our eligible Managing Directors and (b) tax benefits related to imputed interest deemed to be paid by us as a result of this tax receivable agreement. The Company expects to benefit from the remaining 15% of income tax cash savings, if any, that we realize.

For purposes of the tax receivable agreement, income tax cash savings will be computed by comparing our actual income tax liability to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of Group LP as a result of the exchanges and had we not entered into the tax receivable agreement. The term of the tax receivable agreement commenced upon consummation of the IPO and will continue until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the tax receivable agreement for an amount based on an agreed value of payments remaining to be made under the agreement.

Payments made under the tax receivable agreement are required to be made within 225 days of the filing of our tax returns. Because we generally expect to receive the tax savings prior to making the cash payments to the eligible selling holders of Group LP partnership units, we do not expect the cash payments to have a material impact on our liquidity.

In addition, the tax receivable agreement provides that, upon a merger, asset sale, or other form of business combination or certain other changes of control or if, at any time, we elect an early termination of the tax receivable agreement, our (or our successor's) obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control or early termination) will be based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement, and, in the case of an early termination election, that any units that have not been exchanged are deemed exchanged for the market value of the Class A common stock at the time of termination. Consequently, it is possible, in these circumstances, that the actual cash tax savings realized by us may be significantly less than the corresponding tax receivable agreement payments.

## Cash Flows

Our operating cash flows are primarily influenced by the amount and timing of receipt of advisory fees, which are generally collected within 60 days of billing, and the payment of operating expenses, including payments of incentive compensation to our employees. We pay a significant portion of incentive compensation during the first two months of each calendar year with respect to the prior year's results. Our investing and financing cash flows are primarily influenced by activities to fund investments and payments of dividends and estimated partner taxes. A summary of our operating, investing and financing cash flows is as follows:

(\$ in thousands)	Year Ended December 31,		
	2019	2018	2017
<b>Cash Provided By (Used In)</b>			
Operating Activities:			
Net income (loss)	\$ 135,692	\$ 208,004	\$ 126,524
Non-cash charges	107,194	131,366	116,682
Other operating activities	(33,579)	51,519	(10,023)
Total operating activities	209,307	390,889	233,183
Investing Activities	(51,873)	9,284	(69,433)
Financing Activities	(252,692)	(351,741)	(272,512)
Effect of exchange rate changes	2,059	(555)	3,071
Net increase (decrease) in cash	(93,199)	47,877	(105,691)
Cash, cash equivalents, and restricted cash, beginning of period	261,771	213,894	319,585
Cash, cash equivalents, and restricted cash, end of period	\$ 168,572	\$ 261,771	\$ 213,894

### Year Ended December 31, 2019

Cash, cash equivalents and restricted cash were \$168.6 million at December 31, 2019, a decrease of \$93.2 million from \$261.8 million at December 31, 2018. Operating activities resulted in a net inflow of \$209.3 million primarily attributable to cash collected from clients net of cash operating expenses, including discretionary bonuses paid during the period. Investing activities resulted in a net outflow of \$51.9 million primarily attributable to net purchases of investments with a partially offsetting inflow related to Moelis Australia share sales. Financing activities resulted in a net outflow of \$252.7 million primarily related to the payment of dividends, tax distributions, and treasury stock purchases.

### Year Ended December 31, 2018

Cash, cash equivalents and restricted cash were \$261.8 million at December 31, 2018, an increase of \$47.9 million from \$213.9 million at December 31, 2017. Operating activities resulted in a net inflow of \$390.9 million primarily attributable to cash collected from clients net of cash operating expenses, including discretionary bonuses paid during the period. Investing activities resulted in a net inflow of \$9.3 million primarily attributable to net sales of investments. Financing activities resulted in a net outflow of \$351.7 million primarily related to the payment of dividends, net purchases of fair value investments, and tax distributions.

## Contractual Obligations

The following table sets forth information relating to our contractual obligations as of December 31, 2019:

(\$ in thousands)	Payment Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating leases (net of \$4,829 of committed sublease income)	\$ 284,035	\$ 15,207	\$ 40,330	\$ 37,463	\$ 191,035
Amount due pursuant to Tax Receivable Agreement	297,986	22,014	42,582	37,187	196,203
Total	\$ 582,021	\$ 37,221	\$ 82,912	\$ 74,650	\$ 387,238

As of December 31, 2019, the Company has a total payable of \$298.0 million due pursuant to the tax receivable agreement in the consolidated financial statements which represents management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. Payments made under the tax receivable agreement are required to be made within 225 days of the filing of our tax returns. Because we generally expect to receive the tax savings prior to making the cash payments to the eligible selling holders of Group LP partnership units, we do not expect the cash payments to have a material impact on our liquidity. During 2019, we made payments of \$13.8 million pursuant to the tax receivable agreement.

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

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any activities that expose us to any liability that is not reflected in our consolidated financial statements except for those described under "Contractual Obligations" above.

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

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

##### *Risks Related to Cash and Short-Term Investments*

Our cash and cash equivalents include all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less from the date of purchase. We invest most of our cash in highly-rated municipal bonds, U.S. government agency debt securities and U.S. treasury instruments. Cash is maintained in U.S. and non-U.S. bank accounts. Most U.S. and U.K. account balances exceed the FDIC and FSCS coverage limits. In addition to cash and cash equivalents, we hold various types of U.S. treasury instruments and government debt securities that are classified as investments on our statement of financial condition as they have original maturities of three months or more (but less than twelve months) from the date of purchase. We believe our cash and short-term investments are not subject to any material interest rate risk, equity price risk, credit risk or other market risk.

##### *Credit Risk*

We regularly review our accounts receivable and allowance for doubtful accounts by considering factors such as historical experience, credit quality, age of the accounts receivable, and the current economic conditions that may affect a customer's ability to pay such amounts owed to the Company. We maintain an allowance for doubtful accounts that, in our opinion, provides for an adequate reserve to cover losses that may be incurred. See "—Critical Accounting Policies—Accounts Receivable and Allowance for Doubtful Accounts."

##### *Exchange Rate Risk*

The Company is exposed to the risk that the exchange rate of the U.S. dollar relative to other currencies may have an adverse effect on the reported value of the Company's non-U.S. dollar denominated assets and liabilities. Non-functional currency-related transaction gains and losses are recorded in the consolidated statements of operations. In addition, the reported amounts of our revenues may be affected by movements in the rate of exchange between the pound sterling, euro, Brazilian real, Hong Kong dollar, rupee and the U.S. dollar, in which our financial statements are denominated. For the years ended December 31, 2019 and 2018, the net impact of the fluctuation of foreign currencies in other comprehensive income (loss) in the consolidated statements of comprehensive income was a gain of \$1.5 million, and a loss of \$0.5 million, respectively. We have not entered into any transactions to hedge our exposure to these foreign currency fluctuations through the use of derivative instruments or other methods.

#### **Critical Accounting Policies**

We believe that the critical accounting policies included below represent those that are most important to the presentation of our financial condition and results of operations and require management's most difficult, subjective and complex judgment.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period for which they are determined to be necessary.

All intercompany balances and transactions within the Company have been eliminated.

#### ***Revenue and Expense Recognition***

We earn substantially all of our revenues from advisory engagements, and, in many cases, we are not paid until the completion of an underlying transaction. The Company recognizes revenues from providing advisory services when or as our obligations are fulfilled and collection is reasonably assured. The vast majority of our advisory revenues, which include reimbursements for certain out-of-pocket expenses, are recognized over time; however, a small number of transactions may be recognized at a point in time. We provide our advisory service on an ongoing basis which, for example, may include evaluating and selecting one of multiple strategies. During such engagements, our clients are continuously benefitting from our counsel and the over time recognition matches the transfer of such benefits. However, the recognition of transaction fees is constrained until substantially all services have been provided, specified conditions have been met and it is probable that a significant reversal of revenue will not occur in a future period. Upfront fees and retainers specified in our engagement letters that meet the over time criteria will be recognized on a systematic basis over the estimated period where the related services are performed. Revenues may be recognized at a point in time if the engagement represents a singular objective that does not transfer any notable value until formally completed, such as when issuing a fairness opinion. In these instances, the point in time recognition appropriately matches the transfer and consumption of our services.

Incremental costs of obtaining a contract are expensed as incurred since such costs are generally not recoverable and the typical duration of our advisory contracts is less than one year. Costs to fulfill contracts consist of out-of-pocket expenses that are part of performing our advisory services and are typically expensed as incurred, except where the transfer and consumption of our services occurs at a point in time. For engagements recognized at a point in time, out-of-pocket expenses are capitalized and subsequently expensed in the consolidated statement of operations upon completion of the engagement. The Company records deferred revenues when it receives fees from clients that have not yet been earned (e.g. an upfront fee) or when the Company has an unconditional right to consideration before all performance obligations are complete (e.g. upon satisfying conditions to earn an announcement fee, but before the transaction is consummated).

#### ***Accounts Receivable and Allowance for Doubtful Accounts***

The accompanying consolidated statements of financial condition present accounts receivable balances net of allowance for doubtful accounts based on the Company's assessment of the collectability of customer accounts.

The Company maintains an allowance for doubtful accounts that, in management's opinion, provides for an adequate reserve to cover losses that may be incurred. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the accounts receivable, and the current economic conditions that may affect a customer's ability to pay such amounts owed to the Company.

After concluding that a reserved accounts receivable is no longer collectible, the Company will charge-off the receivable. This is determined based on several factors including the age of the accounts receivable and the credit worthiness of the customer. This has the effect of reducing both the gross receivable and the allowance for doubtful accounts.

#### ***Equity-based Compensation***

The Company recognizes the cost of services received in exchange for equity instrument awards. The cost is based on its grant-date fair value using quoted market prices at the time of grant amortized over the service period required by the award's vesting terms.

For the purposes of calculating diluted net income (loss) per share to holders of Class A common stock, unvested service-based awards are included in the diluted weighted average shares of Class A common stock outstanding using the treasury stock method.

The Company has a retirement plan whereby a retiring employee generally will not forfeit certain qualifying incentive RSUs granted during employment if at retirement the employee meets certain requirements. For qualifying awards issued prior to December 1, 2016, the employee must (i) be at least 54 years old and (ii) have provided at least 8 consecutive years of service to the Company. For qualifying awards issued on or after December 1, 2016, (i) the employee must be at least 56 years old, (ii) the employee must have provided at least 5 consecutive years of service to the Company and (iii) the total of (i) and (ii) must be equal to at least 65 years. Any such RSUs will continue to vest on their applicable vesting schedule, subject to noncompetition and other terms. Over time a greater number of employees may become retirement eligible and the related requisite service period over which we will expense these awards will be shorter than the stated vesting period. Any unvested RSUs are eligible to receive dividends in kind; however, the right to dividends in kind will be forfeited if the underlying award does not vest.

### ***Income Taxes***

The Company accounts for income taxes in accordance with ASC 740, “Accounting for Income Taxes” (“ASC 740”), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities by applying the enacted tax rates in effect for the year in which the differences are expected to reverse. Such net tax effects on temporary differences are reflected on the Company’s consolidated statements of financial condition as deferred tax assets. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

ASC 740 prescribes a two-step approach for the recognition and measurement of tax benefits associated with the positions taken or expected to be taken in a tax return that affect amounts reported in the financial statements. The Company has reviewed and will continue to review the conclusions reached regarding uncertain tax positions, which may be subject to review and adjustment at a later date based on ongoing analyses of tax laws, regulations and interpretations thereof. For the years ended December 31, 2019 and 2018, no unrecognized tax benefit was recorded. To the extent that the Company’s assessment of the conclusions reached regarding uncertain tax positions changes as a result of the evaluation of new information, such change in estimate will be recorded in the period in which such determination is made. The Company reports income tax-related interest and penalties relating to uncertain tax positions, if applicable, as a component of income tax expense. For the years ended December 31, 2019 and 2018, no such amounts were recorded.

**Leases** — The Company maintains operating leases for corporate offices and an aircraft. The Company determines if a contract contains a lease at inception. Operating leases are recorded as right-of-use (“ROU”) assets and lease liabilities on the consolidated statements of financial condition. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease liabilities are recognized at the lease commencement date and are measured at the present value of anticipated lease payments over the lease term. The operating lease ROU assets are equal to the lease liabilities, adjusted for certain lease incentives, accrued rents, and prepaid rents. Typically, our borrowing rate is used to determine the present value of lease payments because the implicit rate is not readily determinable. Our lease terms may include options to extend or terminate the lease. These options are factored into our present value calculations when it is reasonably certain that such options will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term.

### ***Recent Accounting Developments***

For a discussion of recently issued accounting developments and their impact or potential impact on our consolidated financial statements, see Note 3—Recent Accounting Pronouncements, of the consolidated financial statements included in this Form 10-K.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Quantitative and Qualitative disclosures about market risk are set forth above in “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Market Risk and Credit Risk.”

## Item 8. Financial Statements and Supplementary Data

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## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Moelis & Company and its subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013)*. Based on management's assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2019.

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

The Company's independent registered public accounting firm has issued its written attestation report on the Company's internal control over financial reporting, as included below.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Moelis & Company  
New York, New York

### **Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Moelis & Company and subsidiaries (the “Company”) as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, and the related notes and schedule, of the Company, and our report dated February 26, 2020 expressed an unqualified opinion on those financial statements.

### **Basis for Opinion**

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

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

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

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

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

/s/ DELOITTE & TOUCHE LLP  
New York, New York  
February 26, 2020

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Moelis & Company  
New York, New York

### Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Moelis & Company and subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, cash flows and changes in equity for each of the three years in the period ended December 31, 2019, and the related notes and schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Basis for Opinion

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

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

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Revenue — Refer to Note 2 to the financial statements*

##### *Critical Audit Matter Description*

The Company recognizes revenues from transaction fees as obligations are fulfilled and collection is reasonably assured. However, the recognition of transaction fees is constrained until substantially all services have been provided, specified

conditions have been met and it is probable that a revenue reversal will not occur in a future period. In certain instances, transaction fees may meet the criteria for recognition during a given reporting period although the transaction closed subsequent to the reporting period. The accounting for these instances involves significant management judgment, particularly as it relates to assessing whether or not (1) all conditions to recognize revenue have been met prior to the transaction actually closing and (2) it is probable a significant revenue reversal will not occur in a future period.

Given the judgments necessary to assess whether or not (1) all conditions to recognize revenue have been met prior to the transaction actually closing and (2) it is probable a significant revenue reversal will not occur in a future period, auditing such estimates involved especially subjective judgment.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to assessing the period in which transaction fees were recognized for certain transactions which closed subsequent to a reporting period included the following, among others:

- We tested the effectiveness of the Company's controls over revenue recognition, including controls over the Company's assessment of transactions closed subsequent to the reporting period which may meet the criteria for recognition during a given reporting period.
- We selected a sample of transactions that closed in subsequent periods, but were recognized in the previous reporting period, and performed the following:
  - Evaluated whether all conditions to recognize revenue have been met prior to the transaction actually closing and management's assertion that it was probable a significant revenue reversal would not occur in the future, including (1) inquiry of management and members of the advisory deal teams and (2) examination of documentation surrounding the transaction, including correspondence with parties outside of the Company.
  - Compared the revenue recognized to the consideration expected to be received based on the terms included in the engagement letter and any modifications that were agreed upon with the customers.

/s/ DELOITTE & TOUCHE LLP

New York, New York

February 26, 2020

We have served as the Company's auditor since 2008.

Moelis & Company

Consolidated Statements of Financial Condition

(dollars in thousands, except per share amounts)

	December 31, 2019	December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	\$ 167,812	\$ 261,100
Restricted cash	760	671
Receivables:		
Accounts receivable, net of allowance for doubtful accounts of \$4,088 and \$1,975 as of December 31, 2019 and December 31, 2018, respectively	45,074	54,412
Accrued and other receivables	10,722	14,199
Total receivables	55,796	68,611
Deferred compensation	11,748	8,788
Investments	213,231	143,924
Right-of-use Assets	190,763	—
Equipment and leasehold improvements, net	13,992	12,731
Deferred tax asset	400,496	402,859
Prepaid expenses and other assets	17,101	15,691
Total assets	<u>\$ 1,071,699</u>	<u>\$ 914,375</u>
<b>Liabilities and Equity</b>		
Compensation payable	\$ 163,131	\$ 197,741
Accounts payable, accrued expenses and other liabilities	16,107	26,561
Amount due pursuant to tax receivable agreement	297,986	311,246
Deferred revenue	3,023	7,074
Lease Liabilities	197,625	—
Total liabilities	<u>677,872</u>	<u>542,622</u>
Commitments and Contingencies (See Note 13)		
Class A common stock, par value \$0.01 per share (1,000,000,000 shares authorized, 52,773,617 issued and 50,016,059 outstanding at December 31, 2019; 1,000,000,000 authorized, 47,031,095 issued and 45,604,980 outstanding at December 31, 2018)	528	470
Class B common stock, par value \$0.01 per share (1,000,000,000 shares authorized, 10,397,915 issued and outstanding at December 31, 2019; 1,000,000,000 authorized, 10,493,358 issued and outstanding at December 31, 2018)	104	105
Treasury stock, at cost; 2,757,558 and 1,426,115 shares as of December 31, 2019 and December 31, 2018, respectively	(107,836)	(56,661)
Additional paid-in-capital	872,791	697,938
Retained earnings (accumulated deficit)	(324,192)	(237,782)
Accumulated other comprehensive income (loss)	1,432	291
Total Moelis & Company equity	442,827	404,361
Noncontrolling interests	(49,000)	(32,608)
Total equity	<u>393,827</u>	<u>371,753</u>
Total liabilities and equity	<u>\$ 1,071,699</u>	<u>\$ 914,375</u>

See notes to the consolidated financial statements.

**Moelis & Company**  
**Consolidated Statements of Operations**  
(dollars in thousands, except per share amounts)

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenues</b>	\$ 746,534	\$ 885,840	\$ 684,615
<b>Expenses</b>			
Compensation and benefits	488,439	513,863	401,384
Occupancy	20,209	18,952	17,101
Professional fees	19,229	25,311	19,954
Communication, technology and information services	31,590	29,747	25,173
Travel and related expenses	41,496	42,264	30,634
Depreciation and amortization	4,965	4,625	3,544
Other expenses	26,063	24,297	22,543
Total expenses	<u>631,991</u>	<u>659,059</u>	<u>520,333</u>
<b>Operating income (loss)</b>	114,543	226,781	164,282
Other income and (expenses)	32,962	11,671	186,069
<b>Income (loss) before income taxes</b>	147,505	238,452	350,351
Provision for income taxes	11,813	30,448	223,827
<b>Net income (loss)</b>	135,692	208,004	126,524
Net income (loss) attributable to noncontrolling interests	30,597	67,324	97,124
<b>Net income (loss) attributable to Moelis &amp; Company</b>	<u>\$ 105,095</u>	<u>\$ 140,680</u>	<u>\$ 29,400</u>
Weighted-average shares of Class A common stock outstanding			
Basic	<u>50,373,874</u>	<u>43,216,358</u>	<u>30,597,058</u>
Diluted	<u>55,513,149</u>	<u>50,690,528</u>	<u>37,675,511</u>
Net income (loss) per share attributable to holders of shares of Class A common stock			
Basic	<u>\$ 2.09</u>	<u>\$ 3.26</u>	<u>\$ 0.96</u>
Diluted	<u>\$ 1.89</u>	<u>\$ 2.78</u>	<u>\$ 0.78</u>

See notes to the consolidated financial statements.

Moelis & Company

Consolidated Statements of Comprehensive Income

(dollars in thousands)

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 135,692	\$ 208,004	\$ 126,524
Unrealized gain (loss) on investments	-	-	(465)
Foreign currency translation adjustment, net of tax	1,452	(453)	2,292
Other comprehensive income (loss)	1,452	(453)	1,827
Comprehensive income (loss)	137,144	207,551	128,351
Less: Comprehensive income attributable to noncontrolling interests	30,908	67,249	98,056
Comprehensive income (loss) attributable to Moelis & Company	\$ 106,236	\$ 140,302	\$ 30,295

See notes to the consolidated financial statements.

**Moelis & Company**  
**Consolidated Statements of Cash Flows**  
(dollars in thousands)

	Year Ended December 31,		
	2019	2018	2017
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ 135,692	\$ 208,004	\$ 126,524
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Bad debt expense	2,399	1,044	2,895
Depreciation and amortization	4,965	4,625	3,544
Equity-based compensation	124,212	123,037	96,295
Deferred tax provision	3,665	6,538	191,697
Gain on equity method investment	(20,714)	—	(41,652)
Gain/(Loss) on remeasurement of amount due pursuant to tax receivable agreement	—	—	(134,665)
Other	(7,333)	(3,878)	(1,432)
Changes in assets and liabilities:			
Accounts receivable	7,057	963	(35,607)
Accrued and other receivables	3,644	(6,036)	2,220
Prepaid expenses and other assets	(2,203)	(610)	(5,388)
Deferred compensation	(2,924)	22	(61)
Compensation payable	(35,381)	53,083	11,853
Accounts payable, accrued expenses and other liabilities	(2,569)	(766)	3,313
Deferred revenue	(4,051)	2,126	1,975
Dividends received	2,848	2,737	11,672
Net cash provided by (used in) operating activities	<u>209,307</u>	<u>390,889</u>	<u>233,183</u>
<b>Cash flows from investing activities</b>			
Purchase of investments	(212,415)	(183,972)	(179,807)
Proceeds from sales of investments	120,102	199,810	115,640
Proceeds from partial sale of equity method investment	46,907	—	—
Note payments received from employees	—	366	781
Notes issued to employees	—	—	(400)
Purchase of equipment and leasehold improvements	(6,467)	(6,920)	(5,647)
Net cash provided by (used in) investing activities	<u>(51,873)</u>	<u>9,284</u>	<u>(69,433)</u>
<b>Cash flows from financing activities</b>			
Dividends and distributions	(209,178)	(313,827)	(255,694)
Payments under tax receivable agreement	(13,798)	(10,994)	(10,386)
Proceeds from exercise of stock options	21,459	6,846	6,055
Treasury stock purchases	(51,175)	(33,473)	(12,258)
Class A partnership units and other equity purchased	—	(293)	(229)
Net cash provided by (used in) financing activities	<u>(252,692)</u>	<u>(351,741)</u>	<u>(272,512)</u>
Effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash	2,059	(555)	3,071
Net increase (decrease) in cash, cash equivalents, and restricted cash	(93,199)	47,877	(105,691)
Cash, cash equivalents, and restricted cash, beginning of period	261,771	213,894	319,585
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 168,572</u>	<u>\$ 261,771</u>	<u>\$ 213,894</u>
<b>Supplemental cash flow disclosure:</b>			
<b>Cash paid during the period for:</b>			
Income taxes	\$ 13,405	\$ 23,491	\$ 31,837
Dividends paid, declared in the prior year	\$ —	\$ —	\$ 68,066
<b>Other non-cash activity</b>			
Dividend equivalents issued	\$ 33,299	\$ 49,601	\$ 24,657
Class A Partnership Units or other equity converted into Class A Common Stock	\$ 1,267	\$ 30,901	\$ 55,901
Cumulative Effect Adjustment upon Adoption of ASU 2014-09	\$ —	\$ 3,155	\$ —
Cumulative Effect Adjustment upon Adoption of ASU 2016-09	\$ —	\$ —	\$ 658
Forfeiture of fully-vested Group LP units or other equity units	\$ 2,397	\$ 677	\$ 36

See notes to the consolidated financial statements.

**Moelis & Company**  
**Consolidated Statements of Changes in Equity**  
(dollars in thousands, except share amounts)

	Shares			Class A Common Stock	Class B Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Class A Common Stock	Class B Common Stock	Treasury Stock								
<b>Balance as of January 1, 2017</b>	20,948,998	31,138,193	(387,890)	\$ 210	\$ 311	\$ (10,930)	\$ 291,026	\$ (68,229)	\$ (543)	\$ 39,596	\$ 251,441
Cumulative effect adjustment upon adoption of ASU 2016-09	—	—	—	—	—	—	4,855	(4,197)	—	—	658
<b>Balance as of January 1, 2017, as adjusted</b>	20,948,998	31,138,193	(387,890)	210	311	(10,930)	295,881	(72,426)	(543)	39,596	252,099
Net income (loss)	—	—	—	—	—	—	—	29,400	—	97,124	126,524
Equity-based compensation	1,708,826	—	—	17	—	—	94,141	—	—	2,137	96,295
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	895	932	1,827
Dividends declared (\$2.48 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	24,657	(96,892)	—	(115,393)	(187,628)
Treasury Stock Purchases	—	—	(319,526)	—	—	(12,258)	—	—	—	—	(12,258)
Exercise of Stock options	279,277	—	—	3	—	—	6,052	—	—	—	6,055
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	11,226,067	(11,225,963)	—	112	(112)	—	60,762	—	—	(5,090)	55,672
Equity-based payments to non-employees	—	—	—	—	—	—	5,615	—	—	—	5,615
Other	(126)	—	—	—	—	—	55	—	—	—	55
<b>Balance as of December 31, 2017</b>	<u>34,163,042</u>	<u>19,912,230</u>	<u>(707,416)</u>	<u>\$ 342</u>	<u>\$ 199</u>	<u>\$ (23,188)</u>	<u>\$ 487,163</u>	<u>\$ (139,918)</u>	<u>\$ 352</u>	<u>\$ 19,306</u>	<u>\$ 344,256</u>
<b>Balance as of January 1, 2018</b>	34,163,042	19,912,230	(707,416)	\$ 342	\$ 199	\$ (23,188)	\$ 487,163	\$ (139,918)	\$ 352	\$ 19,306	\$ 344,256
Cumulative effect adjustment upon adoption of ASU 2014-09	—	—	—	—	—	—	—	3,155	—	—	3,155
Cumulative effect adjustment upon adoption of ASU 2016-01	—	—	—	—	—	—	—	(317)	317	—	—
<b>Balance as of January 1, 2018, as adjusted</b>	34,163,042	19,912,230	(707,416)	342	199	(23,188)	487,163	(137,080)	669	19,306	347,411
Net income (loss)	—	—	—	—	—	—	—	140,680	—	67,324	208,004
Equity-based compensation	3,123,395	—	—	31	—	—	121,883	—	—	1,123	123,037
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(378)	(75)	(453)
Dividends declared (\$4.88 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	49,601	(241,382)	—	(122,046)	(313,827)
Treasury Stock Purchases	—	—	(718,699)	—	—	(33,473)	—	—	—	—	(33,473)
Exercise of Stock options	351,904	—	—	3	—	—	6,843	—	—	—	6,846
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	9,392,754	(9,392,754)	—	94	(94)	—	28,171	—	—	2,437	30,608
Equity-based payments to non-employees	—	—	—	—	—	—	4,277	—	—	—	4,277
Other	—	(26,118)	—	—	—	—	—	—	—	(677)	(677)
<b>Balance as of December 31, 2018</b>	<u>47,031,095</u>	<u>10,493,358</u>	<u>(1,426,115)</u>	<u>\$ 470</u>	<u>\$ 105</u>	<u>\$ (56,661)</u>	<u>\$ 697,938</u>	<u>\$ (237,782)</u>	<u>\$ 291</u>	<u>\$ (32,608)</u>	<u>\$ 371,753</u>
<b>Balance as of January 1, 2019</b>	47,031,095	10,493,358	(1,426,115)	\$ 470	\$ 105	\$ (56,661)	\$ 697,938	\$ (237,782)	\$ 291	\$ (32,608)	\$ 371,753
Net income (loss)	—	—	—	—	—	—	—	105,095	—	30,597	135,692
Equity-based compensation	4,399,851	—	—	44	—	—	123,958	—	—	210	124,212
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	1,141	311	1,452
Dividends declared (\$3.25 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	33,299	(191,505)	—	(50,972)	(209,178)
Treasury Stock Purchases	—	—	(1,331,443)	—	—	(51,175)	—	—	—	—	(51,175)
Exercise of Stock options	1,285,533	—	—	13	—	—	21,459	—	—	—	21,472
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	61,936	(61,936)	—	1	(1)	—	(1,580)	—	—	2,010	430
Equity-based payments to non-employees	—	—	—	—	—	—	729	—	—	—	729
Other	(4,798)	(33,507)	—	—	—	—	(3,012)	—	—	1,452	(1,560)
<b>Balance as of December 31, 2019</b>	<u>52,773,617</u>	<u>10,397,915</u>	<u>(2,757,558)</u>	<u>\$ 528</u>	<u>\$ 104</u>	<u>\$ (107,836)</u>	<u>\$ 872,791</u>	<u>\$ (324,192)</u>	<u>\$ 1,432</u>	<u>\$ (49,000)</u>	<u>\$ 393,827</u>

See notes to the consolidated financial statements.

## Moelis & Company

### Notes to the Consolidated Financial Statements

(dollars in thousands)

#### 1. ORGANIZATION AND BASIS OF PRESENTATION

Moelis & Company and its consolidated subsidiaries (the “Company,” “we,” “our,” or “us”) is a leading global investment bank incorporated in Delaware. Prior to the Company’s IPO, the business operated as a Delaware limited partnership that commenced operations during 2007. Following the IPO, the operations are owned by Moelis & Company Group LP (“Group LP”), a U.S. Delaware limited partnership, and Group LP is controlled by Moelis & Company. Moelis & Company’s shareholders are entitled to receive a portion of Group LP’s economics through their direct ownership interests in shares of Class A common stock of Moelis & Company. The noncontrolling interest owners of Group LP (not Moelis & Company) receive economics of the operations primarily through their ownership interests in Group LP partnership units.

The Company’s activities as an investment banking advisory firm constitute a single business segment offering clients, including corporations, governments and financial sponsors, a range of advisory services with expertise across all major industries in mergers and acquisitions, recapitalizations and restructurings and other corporate finance matters.

**Basis of Presentation**—The consolidated financial statements of Moelis & Company include its partnership interests in Group LP, its equity interest in the sole general partner of Group LP, Moelis & Company Group GP LLC (“Group GP”), and its interests in its subsidiaries. Moelis & Company will operate and control all of the business and affairs of Group LP and its operating entity subsidiaries indirectly through its equity interest in Group GP. The Company operates through the following subsidiaries:

- Moelis & Company LLC (“Moelis U.S.”), a Delaware limited liability company, a registered broker-dealer with the U.S. Securities and Exchange Commission (“SEC”) and a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”).
- Moelis & Company International Holdings LLC (“Moelis International”), a Delaware limited liability company, owns the following entities and investments, directly or indirectly:
  - Moelis & Company UK LLP (“Moelis UK”), a limited liability partnership registered under the laws of England and Wales. In addition to the United Kingdom, Moelis UK maintains operations through the following branches:
    - Moelis & Company UK LLP, French Branch (French branch)
    - Moelis & Company Europe Limited, Frankfurt am Main Branch (German branch)
    - Moelis & Company UK LLP, DIFC Branch (Dubai branch)
  - Moelis & Company Asia Limited (“Moelis Asia”), a limited company incorporated in Hong Kong licensed under the Hong Kong Securities and Futures Ordinance to provide financial advisory services. In addition to Hong Kong, Moelis Asia maintains operations in Beijing China through a wholly-owned Chinese subsidiary, Moelis & Company Consulting (Beijing) Company Limited.
  - Moelis & Company Netherlands BV, a private limited company incorporated in Amsterdam, Netherlands.
  - Moelis & Company India Private Limited, a private limited company incorporated in Mumbai, India.

- Moelis & Company Assessoria Financeira Ltda. (“Moelis Brazil”), a limited liability company incorporated in São Paulo, Brazil.
- An equity method investment in Moelis Australia Limited (“Moelis Australia”), a public company listed on the Australian Securities Exchange.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**—The Company prepared the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The consolidated financial statements include the combined operations, assets and liabilities of the Company.

**Consolidation**—The Company’s policy is to consolidate (i) entities, other than limited partnerships, in which it has a controlling financial interest, (ii) variable interest entities where the Company has a variable interest and is deemed to be the primary beneficiary and (iii) limited partnerships where the Company has ownership of the majority of voting interests. When the Company does not have a controlling interest in an entity, but exerts significant influence over the entity’s operating and financial decisions, the Company applies the equity method of accounting in which it records in earnings its share of income or losses of the entity. All intercompany balances and transactions with the Company’s subsidiaries have been eliminated in consolidation.

**Use of Estimates**—The preparation of consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period in which they are determined to be necessary.

In preparing the consolidated financial statements, management makes estimates and assumptions regarding:

- the adequacy of the allowance for doubtful accounts;
- the assessment of whether revenues from variable consideration should be constrained due to the probability of a significant revenue reversal;
- the assessment of probable lease terms and the measurement of the present value of such obligations;
- the measurement and realization of deferred taxes;
- the measurement of amount due pursuant to tax receivable agreement;
- the measurement and vesting of equity-based compensation; and
- other matters that affect the reported amounts and disclosures of contingencies in the financial statements.

**Cash, Cash Equivalents and Restricted Cash**—Cash and cash equivalents include all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less from the date of purchase.

The Company’s cash is maintained in U.S. and non-U.S. bank accounts, of which most bank account balances had little or no insurance coverage (most balances are held in U.S. and U.K. accounts which exceeded the U.S. Federal Deposit Insurance Corporation and U.K. Financial Services Compensation Scheme coverage limits). The Company’s cash equivalents are invested primarily in U.S. Treasury instruments, government securities money markets and government debt securities.

The Company's restricted cash is comprised of collateral deposits primarily held by certain non-U.S. subsidiaries. These deposits are required for certain direct debit accounts and are also used to satisfy future medical claims. A reconciliation of the Company's cash, cash equivalents and restricted cash as of December 31, 2019 and 2018, is presented below.

	December 31,	
	2019	2018
Cash	\$ 71,798	\$ 59,705
Cash equivalents	96,014	201,395
Restricted cash	760	671
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 168,572</u>	<u>\$ 261,771</u>

**Receivables**—The accompanying consolidated statements of financial condition present accounts receivable balances net of allowance for doubtful accounts based on the Company's assessment of the collectability of customer accounts.

Included in the accounts receivable balances at December 31, 2019 and 2018 were \$19,879 and \$26,738 of long term receivables related to private funds advisory capital raising engagements, which are generally paid in installments over a period of three to four years. These long term receivables generated interest income of \$990, \$653 and \$408 for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company maintains an allowance for doubtful accounts that, in management's opinion, provides for an adequate reserve to cover losses that may be incurred. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the accounts receivable, and the current economic conditions that may affect a customer's ability to pay such amounts owed to the Company.

After concluding that a reserved accounts receivable is no longer collectible, the Company will charge-off the receivable. This is determined based on several factors including the age of the accounts receivable and the credit worthiness of the customer. This has the effect of reducing both the gross receivable and the allowance for doubtful accounts.

**Deferred Compensation**—Deferred compensation costs represent arrangements with certain employees whereby cash payments are subject to a required period of service subsequent to payment by the Company. These amounts are charged to expenses over the period that the employee is required to provide services in order to vest in the payment.

**Financial Instruments at Fair Value**—Fair value is generally based on quoted prices, however if quoted market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations, price activity for equivalent instruments and valuation pricing models. The Company established a fair value hierarchy which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of instrument, the characteristics specific to the instrument and the state of the marketplace (including the existence and transparency of transactions between market participants). Financial instruments with readily-available actively quoted prices or for which fair value can be measured from actively-quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories (from highest to lowest) based on inputs:

**Level 1**—Quoted prices (unadjusted) are available in active markets for identical instruments that the Company has the ability to access as of the reporting date. The Company, to the extent that it holds such instruments, does not adjust the quoted price for these instruments, even in situations in which the Company holds a large position and a sale could reasonably affect the quoted price.

**Level 2**—Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies.

**Level 3**—Pricing inputs are unobservable for the instruments and include situations where there is little, if any, market activity for the investments. The inputs into the determination of fair value require significant judgment or estimation by the Company's management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the instrument.

For level 3 investments in which pricing inputs are unobservable and limited market activity exists, management's determination of fair value is based on the best information available, may incorporate management's own assumptions and involves a significant degree of judgment.

Effective January 1, 2018, the Company adopted ASU 2016-01, using the modified retrospective approach. As a result, a cumulative adjustment was recorded which decreased retained earnings and increased accumulated other comprehensive income by \$317 as of January 1, 2018. The adjustment is related to the accumulated unrealized losses in fair value of an equity investment as of December 31, 2017. No prior periods were adjusted as a result of this change in accounting policy. The adoption of ASU 2016-01 requires that changes in fair value of equity investments measured at fair value be recognized in net income prospectively. For each period where a consolidated statement of operations is presented, the Company will disclose the portion of realized and/or unrealized gains and losses related to equity investments held at the reporting date or sold during the period.

Effective September 30, 2018, the Company early adopted ASU 2018-13. As a result, the Company removed its disclosures of the amounts of and reasons for transfers between level 1 and level 2 fair value investments. Level 3 fair value investments that are acquired in the future will not require disclosures of the valuation process but will require disclosure of unrealized gains and losses and the range and weighted average of significant unobservable inputs used to determine the fair value of the level 3 investment.

**Equity Method Investments**—The Company accounts for its equity method investments under the equity method of accounting as the Company does not control these entities but has the ability to exercise significant influence. The amounts recorded in investments on the consolidated statements of financial condition reflect the Company's share of contributions made to, distributions received from, and the equity earnings and losses of, the investments. The Company reflects its share of gains and losses of the investment in other income and expenses in the consolidated statements of operations using the most recently available earnings data at the end of the period.

**Leases** — The Company maintains operating leases for corporate offices and an aircraft. The Company determines if a contract contains a lease at inception. Operating leases are recorded as right-of-use ("ROU") assets and lease liabilities on the consolidated statements of financial condition. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease liabilities are recognized at the lease commencement date and are measured at the present value of anticipated lease payments over the lease term. The operating lease ROU assets are equal to the lease liabilities, adjusted for certain lease incentives, accrued rents, and prepaid rents. Typically, our borrowing rate is used to determine the present value of lease payments because the implicit rate is not readily determinable. Our lease terms may include options to extend or terminate the lease. These options are factored into our present value calculations when it is reasonably certain that such options will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term.

#### *Adoption of ASU 2016-02*

In February 2016, the FASB issued Accounting Standards Update 2016-02—Leases ("ASU 2016-02") to improve transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11 which permits entities to apply the requirements of ASU 2016-02 as of the adoption date, as opposed to the earliest comparative period disclosed.

The Company adopted both standards as of January 1, 2019, and is applying the requirements of ASU 2016-02 as of the adoption date instead of the earliest comparative period disclosed. In addition, we elected to use certain practical expedients to assist in our transition and are not reassessing the identification and classification of leases upon adoption. Upon adoption, the Company recorded lease liabilities and corresponding ROU assets of \$63,252. The ROU assets were adjusted for prepaid rent and accrued rent, which reduced our opening balances of prepaid expenses and other assets and other liabilities by \$1,666 and \$7,139, respectively. The adoption of ASU 2016-02 did not have a material impact to our consolidated statements of operations.

**Equipment and Leasehold Improvements**—Office equipment and furniture and fixtures are stated at cost less accumulated depreciation, which is determined using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years, respectively. Leasehold improvements are stated at cost less accumulated amortization, which is determined using the straight-line method over the lesser of the term of the lease or the estimated useful life of the asset.

Major renewals and improvements are capitalized and minor replacements, maintenance and repairs are charged to expenses as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation or amortization are removed from the consolidated statements of financial condition and any gain or loss is reflected in the consolidated statements of operations.

**Deferred Tax Asset and Amount Due Pursuant to Tax Receivable Agreement**—In conjunction with the IPO, the Company was treated for U.S. federal income tax purposes as having directly purchased Class A partnership units in Group LP from the existing unitholders. Additional Group LP Class A partnership units may be exchanged for shares of Class A common stock in the Company. The initial purchase and future exchanges are expected to result in an increase in the tax basis of Group LP's assets attributable to the Company's interest in Group LP. These increases in the tax basis of Group LP's assets attributable to the Company's interest in Group LP would not have been available but for the initial purchase and future exchanges. Such increases in tax basis are likely to increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of income tax the Company would otherwise be required to pay in the future. As a result, the Company records a deferred tax asset for such increase in tax basis.

The Company has entered into a tax receivable agreement with its eligible Managing Directors that will provide for the payment by the Company to its eligible Managing Directors of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the Company actually realizes as a result of (a) the increases in tax basis attributable to exchanges by its eligible Managing Directors and (b) tax benefits related to imputed interest deemed to be paid by the Company as a result of this tax receivable agreement. The Company expects to benefit from the remaining 15% of cash savings, if any, in income tax that it realizes and record any such estimated tax benefits as an increase to additional paid-in-capital. For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing the Company's actual income tax liability to the amount of such taxes that it would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of Group LP as a result of the exchanges and had it not entered into the tax receivable agreement. The term of the tax receivable agreement commenced upon consummation of the IPO and will continue until all such tax benefits have been utilized or expired, unless the Company exercises its right to terminate the tax receivable agreement for an amount based on an agreed value of payments remaining to be made under the agreement. The Company has recorded the estimated tax benefits related to the increase in tax basis and imputed interest as a result of the initial purchase and subsequent exchanges described above as a deferred tax asset in the consolidated statements of financial condition. The amount due to its eligible Managing Directors related to the tax receivable agreement as a result of the initial purchase and subsequent exchanges described above is recorded as amount due pursuant to tax receivable agreement in the consolidated statements of financial condition. The amounts recorded for the deferred tax asset and the liability for our obligations under the tax receivable agreement are estimates. Any adjustments to our estimates subsequent to their initial establishment will be included in net income (loss). Future exchanges of Class A partnership units in Group LP for Class A common shares in the Company will be accounted for in a similar manner.

**Revenue and Expense Recognition**— We earn substantially all of our revenues from advisory engagements and, in many cases, we are not paid until the completion of an underlying transaction. The Company recognizes revenues from providing advisory services when or as our obligations are fulfilled and collection is reasonably assured. The vast majority of our advisory revenues, which include reimbursements for certain out-of-pocket expenses, are recognized over time; however, a small number of transactions may be recognized at a point in time. We provide our advisory service on an ongoing basis which, for example, may include evaluating and selecting one of multiple strategies. During such engagements, our clients are continuously benefitting from our counsel and the over time recognition matches the transfer of such benefits. However, the recognition of transaction fees is constrained until substantially all services have been provided, specified conditions have been met and it is probable that a significant reversal of revenue will not occur in a future period. Upfront fees and retainers specified in our engagement letters that meet the over time criteria will be recognized on a systematic basis over the estimated period where the related services are performed. Revenues may be recognized at a point in time if the engagement represents a singular objective that does not transfer any notable value until formally completed, such as when issuing a fairness opinion. In these instances, the point in time recognition appropriately matches the transfer and consumption of our services.

Incremental costs of obtaining a contract are expensed as incurred since such costs are generally not recoverable and the typical duration of our advisory contracts is less than one year. Costs to fulfill contracts consist of out-of-pocket expenses that are part of performing our advisory services and are typically expensed as incurred, except where the transfer and consumption of our services occurs at a point in time. For engagements recognized at a point in time, out-of-pocket expenses are capitalized and subsequently expensed in the consolidated statement of operations upon completion of the engagement. The Company records deferred revenues when it receives fees from clients that have not yet been earned (e.g. an upfront fee) or when the Company has an unconditional right to consideration before all performance obligations are complete (e.g. upon satisfying conditions to earn an announcement fee, but before the transaction is consummated).

Complications that may terminate or delay a transaction include failure to agree upon final terms with the counterparty, failure to obtain required regulatory consents, failure to obtain board or stockholder approvals, failure to secure financing, adverse market conditions or unexpected operating or financial problems related to either party to the transaction. In these circumstances, we often do not receive advisory fees that would have been received if the transaction had been completed, despite the fact that we may have devoted considerable time and resources to the transaction. Barriers to the completion of a restructuring transaction may include a lack of anticipated bidders for the assets of our client, the inability of our client to restructure its operations, or indebtedness due to a failure to reach agreement with its creditors. In these circumstances, our fees are generally limited to monthly retainer fees and reimbursement of certain out-of-pocket expenses.

We do not allocate our revenue by the type of advice we provide because of the complexity of the transactions on which we may earn revenue and our holistic approach to client service. For example, a restructuring engagement may evolve to require a sale of all or a portion of the client, M&A assignments can develop from relationships established on prior restructuring engagements, and capital markets expertise can be instrumental on both M&A and restructuring assignments.

#### *Adoption of ASU 2014-09*

Effective January 1, 2018, the Company adopted ASU 2014-09, "Revenue from Contracts with Customers", and all related amendments ("Topic 606") using the modified retrospective method for all contracts. The adoption of the new standard requires the Company to present reimbursable expenses gross in revenues and expenses and to use new revenue recognition patterns as discussed below in the policy. Prior to adoption, client expenses were recorded net of reimbursements. As a result, a cumulative adjustment was recorded which increased the opening balance of accrued and other receivables and retained earnings by \$3,722 for outstanding reimbursable expenses at December 31, 2017, which would have been recognized as revenues under the new standard. The tax effect of this adjustment decreased retained earnings by \$567, resulting in a net increase to the opening balance of retained earnings of \$3,155. No prior periods were adjusted as a result of this change in accounting policy.

The adoption of Topic 606 may result in the recognition of revenue in certain circumstances earlier as compared with the time prior to the adoption of Topic 606 where revenues were generally recognized upon the closing date of a transaction. In contrast, Topic 606 requires revenues from variable transaction fees to be recognized when all material conditions for completion have been met and it is probable that a significant revenue reversal will not occur in a future period. Revenues subject to this timing difference in recognition will require significant judgment and could be material to any given reporting period.

**Equity-based Compensation**—The Company recognizes the cost of services received in exchange for equity instrument awards. The cost is based on its grant-date fair value using quoted market prices at the time of grant amortized over the service period required by the award's vesting terms. The Company records as treasury stock shares repurchased from its employees for the purpose of settling tax liabilities incurred upon the vesting of restricted stock units ("RSUs"). The Company records dividends in kind, net of forfeitures, on outstanding RSUs as a reduction of retained earnings with a corresponding increase in additional paid-in capital, resulting in no net change to equity. Dividends in kind on RSUs are subject to the same vesting conditions as the underlying RSUs on which they were accrued. Dividends in kind will be forfeited if the underlying award does not vest.

The Company has a retirement plan whereby a retiring employee generally will not forfeit certain qualifying incentive RSUs granted during employment if at retirement the employee meets certain requirements. For qualifying awards issued prior to December 1, 2016, the employee must (i) be at least 54 years old and (ii) have provided at least 8 consecutive years of service to the Company. For qualifying awards issued on or after December 1, 2016, (i) the employee must be at least 56 years old, (ii) the employee must have provided at least 5 consecutive years of service to the Company and (iii) the total of (i) and (ii) must be equal to at least 65 years. Any such RSUs will continue to vest on their applicable vesting schedule, subject to noncompetition and other terms. Over time a greater number of employees may become retirement eligible and the related requisite service period over which we will expense these awards will be shorter than the stated vesting period. Any unvested RSUs are eligible to receive dividends in kind; however, the right to dividends in kind will be forfeited if the underlying award does not vest.

Effective January 1, 2017, the Company adopted a change in accounting policy in accordance with Accounting Standards Update 2016-09, to account for forfeitures as they occur. The change was applied on a modified retrospective basis with a cumulative decrease to retained earnings and an increase in additional paid-in capital ("APIC") of \$4,855 as of January 1, 2017. The tax effect of this adjustment increased deferred tax assets and retained earnings by \$658. No prior periods were adjusted as a result of this change in accounting policy.

Effective January 1, 2019, the Company adopted ASU 2018-07, "Compensation—Stock Compensation" ("ASU 2018-07") using the modified retrospective method. The adoption of this new standard generally requires the accounting for equity-based payments to nonemployees to be consistent with the accounting for employees. As a result, the Company will recognize the cost of services received from a nonemployee in exchange for an equity instrument based on the award's grant-date fair value. Unsettled equity-based payments to nonemployees have been remeasured at fair value as of the adoption date. No adjustment to the opening balance of retained earnings was required.

**Income Taxes**—The Company accounts for income taxes in accordance with ASC 740, "Accounting for Income Taxes" ("ASC 740"), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities by applying the enacted tax rates in effect for the year in which the differences are expected to reverse. Such net tax effects on temporary differences are reflected on the Company's consolidated statements of financial condition as deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

ASC 740 prescribes a two-step approach for the recognition and measurement of tax benefits associated with the positions taken or expected to be taken in a tax return that affect amounts reported in the financial statements. The Company has reviewed and will continue to review the conclusions reached regarding uncertain tax positions, which may be subject to review and adjustment at a later date based on ongoing analyses of tax laws, regulations and interpretations thereof. For the years ended December 31, 2019, 2018 and 2017, no unrecognized tax benefit was recorded. To the extent that the Company's assessment of the conclusions reached regarding uncertain tax positions changes as a result of the evaluation of new information, such change in estimate will be recorded in the period in which such determination is made. The Company reports income tax-related interest and penalties relating to uncertain tax positions, if applicable, as a component of income tax expense. For the years ended December 31, 2019, 2018 and 2017, no such amounts were recorded.

The Company recognizes excess tax benefits and deficiencies as income tax benefits or expenses in the consolidated statement of operations. These are reflected in accounts payable, accrued expenses and other liabilities within the consolidated statement of cash flows.

**Foreign Currency Translation**—Assets and liabilities held in non-U.S. dollar denominated currencies are translated into U.S. dollars at exchange rates in effect at the end of the reporting period. Revenues and expenses are translated at average exchange rates during the reporting period. A charge or credit is recorded to other comprehensive income to reflect the translation of these amounts to the extent the non-U.S. currency is designated the functional currency of the subsidiary. Non-functional currency related transaction gains and losses are immediately recorded in the consolidated statements of operations.

### 3. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 replaces the incurred loss impairment methodology for financial instruments with the current expected credit loss (CECL) model which requires estimates of future credit losses based on reasonable supporting information, such as historical experience and current conditions. The Company plans to stratify its accounts receivable based on term length and utilize the specific identification and aging methods to formulate separate reserves on these populations. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application is permitted. We do not anticipate any material changes to our consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, "Goodwill and Other—Internal Use Software" ("ASU 2018-15"). ASU 2018-15 clarifies the appropriate accounting for implementation, setup, and other upfront costs for cloud computing service contracts. The amendment aligns the requirements for capitalizing implementation costs incurred in cloud computing arrangements with the requirements for capitalizing costs to develop or obtain internal-use software. ASU 2018-15 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Upon initial evaluation, the Company expects to capitalize future implementation costs of certain cloud computing arrangements, but does not anticipate such amounts to be material to our consolidated financial statements.

In March 2019, the FASB issued Accounting Standards Update No. 2019-01, "Leases" ("ASU 2019-01"). ASU 2019-01 enhances the guidance in ASC 842 surrounding the fair value of underlying assets for lessors, presentation of sales-type and direct financing leases on the statement of cash flows, and transition guidance surrounding accounting changes and error corrections. ASU 2019-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application is permitted. Upon initial evaluation, we do not anticipate any material changes to our consolidated financial statements.

In December 2019, the FASB issued Accounting Standards Update No. 2019-12, "Income Taxes" ("ASU 2019-12"). ASU 2019-12 reduces the complexity of accounting for income taxes. Specifically, this update removes several exceptions under ASC 740 including an exception to the general methodology of calculating income tax in an interim period where the year-to-date loss exceeds the expected loss for the year. ASU 2019-12 also adds several requirements to ASC 740 including requiring that an entity reflect the impact of changes in tax laws in the interim period of the enactment date. ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application is permitted. Upon initial evaluation, we do not anticipate any material changes to our consolidated financial statements.

#### **4. EQUITY METHOD INVESTMENT**

##### **Moelis Australia**

On April 1, 2010, the Company entered into a 50-50 joint venture in Moelis Australia Holdings PTY Limited, investing a combination of cash and certain net assets in exchange for its interests. On April 10, 2017, Moelis Australia Holdings PTY Limited consummated their initial public offering and became listed on the Australian Securities Exchange as Moelis Australia Limited (ASX: MOE). As a result of the offering, the Company recognized a gain of approximately \$15,170 during the year ended December 31, 2017, recorded in other income and expenses on the consolidated statement of operations. As a result of the offering, the Company's ownership interest in Moelis Australia was diluted and continues to be accounted for under the equity method of accounting. Contemporaneous with the offering, Moelis Australia agreed to terminate an asset management related revenue sharing agreement resulting in a payment to a third party, of which the Company recognized a charge of approximately \$2,400 in income (loss) from equity method investments during the year ended December 31, 2017.

On March 20, 2017, Moelis Australia declared a dividend, of which the Company received \$11,672 on April 18, 2017. The Company accounted for the dividend as a return on investment and reduced the carrying value of the investment in Moelis Australia by \$11,672 on April 18, 2017.

On September 13, 2017 and October 30, 2017, Moelis Australia completed offerings of 11,940,000 and 10,060,000 shares of common stock, respectively, to raise additional capital. The issuance of shares further reduced Moelis & Company's ownership interest in Moelis Australia. These shares were issued at a fair value greater than the carrying value of the ownership interest disposed, resulting in gains of approximately \$14,429 and \$9,680, during the third and fourth quarter of 2017, respectively, recorded in other income on the consolidated statement of operations.

Moelis Australia issued additional shares during 2017 related to acquisitions, which further reduced Moelis & Company's ownership interest in Moelis Australia. The shares were issued at a fair value greater than the carrying value of the ownership interest disposed, resulting in a gain of approximately \$2,372 during the year ended December 31, 2017, recorded in other income and expenses on the consolidated statement of operations.

On February 20, 2019 and February 20, 2018, Moelis Australia declared dividends, of which the Company received \$2,848 and \$2,737 on March 6, 2019 and March 7, 2018, respectively. The Company accounted for the dividends as a return on investment and reduced the carrying value of the investment in Moelis Australia by \$2,848 and \$2,737, respectively.

On September 2, 2019 and November 4, 2019, the Company sold 12.5 million and 8.0 million shares of Moelis Australia common stock, respectively. These transactions resulted in gains of \$12,631 and \$8,083, respectively, recorded in other income and expenses on the consolidated statements of operations. As a result, the Company's ownership interest in Moelis Australia was reduced.

The balances of the Company's equity method investment as of December 31, 2019 and December 31, 2018 were \$38,944 and \$46,897, respectively, and are included within investments on the consolidated statements of financial condition. The Company's share of earnings on this investment is recorded in other income and expenses on the consolidated statements of operations.

Certain adjustments have been made to account for the Company's equity method investment in Moelis Australia under US GAAP as Moelis Australia Limited follows local accounting principles under Australian Accounting Standards.

Summary financial information related to Moelis Australia is as follows:

	Year Ended December 31,		
	2019	2018	2017
Total revenues	\$ 106,894	\$ 91,222	\$ 83,602
Total expenses	(90,558)	(69,688)	(62,187)
Net Income (loss)	<u>\$ 16,336</u>	<u>\$ 21,534</u>	<u>\$ 21,415</u>

	December 31,	December 31,
	2019	2018
Total assets	\$ 360,035	\$ 261,513
Total liabilities	(200,925)	(91,799)
Net equity	<u>\$ 159,110</u>	<u>\$ 169,714</u>

## 5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements, net consists of the following:

	December 31, 2019	December 31, 2018
Office equipment	\$ 13,593	\$ 11,517
Furniture and fixtures	5,054	4,533
Leasehold improvements	17,402	13,813
Total	36,049	29,863
Less accumulated depreciation and amortization	(22,057)	(17,132)
Equipment and leasehold improvements, net	<u>\$ 13,992</u>	<u>\$ 12,731</u>

Depreciation and amortization expenses for fixed assets totaled \$4,965, \$4,625 and \$3,544 for the years ended December 31, 2019, 2018, and 2017, respectively.

## 6. FAIR VALUE MEASUREMENTS

The Company established a fair value hierarchy which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories (from highest to lowest) based on inputs:

Level 1—Quoted prices (unadjusted) are available in active markets for identical instruments that the Company has the ability to access as of the reporting date. The Company, to the extent that it holds such instruments, does not adjust the quoted price for these instruments, even in situations in which the Company holds a large position and a sale could reasonably affect the quoted price.

Level 2—Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are not the same as those used in level 1. Fair value is determined through the use of models or other valuation methodologies.

Level 3—Pricing inputs are unobservable for the instruments and include situations in which there is little, if any, market activity for the investments. The inputs into the determination of fair value require significant judgment or estimation by the Company’s management.

The estimated fair values of government securities money markets, U.S. Treasury instruments, and government debt securities as of December 31, 2019 and 2018 are based on quoted prices for recent trading activity in identical or similar instruments. The Company generally invests in U.S. Treasury instruments with maturities of less than twelve months. See Note 2 for further information on the Company’s fair value hierarchy.

The Company’s methodology for reclassifications impacting the fair value hierarchy is that transfers in/out of the respective category are reported at fair value as of the beginning of the period in which the reclassification occurred.

At the end of the reporting period, the Company reviews U.S. treasury instruments held to determine whether the securities are of the most recent issuance of that security with the same maturity (referred to as “on-the-run”, which is the most liquid version of the maturity band). If a U.S. treasury instrument held at the end of the reporting period was from the most recent issuance it is classified as level 1, otherwise it is referred to as “off-the-run” and is classified as level 2.

The following table summarizes the levels of the fair value hierarchy into which the Company’s financial assets fall as of December 31, 2019:

	Total	Level 1	Level 2	Level 3
<b>Financial assets:</b>				
<i>Included in cash and cash equivalents</i>				
U.S. treasury instruments	\$ 62,949	\$ —	\$ 62,949	\$ —
Government securities money market	33,065	—	33,065	—
<i>Investments</i>				
U.S. treasury instruments	173,960	—	173,960	—
Common stock	327	327	—	—
Total financial assets	<u>\$ 270,301</u>	<u>\$ 327</u>	<u>\$ 269,974</u>	<u>\$ —</u>

For the twelve months ended December 31, 2019, unrealized gains of \$177 were recognized in other income and expenses on the consolidated statement of operations related to common stock held at the reporting date. The cost basis of the financial assets recorded at fair value included in investments on the consolidated statement of financial condition was \$173,806 as of December 31, 2019.

The following table summarizes the levels of the fair value hierarchy into which the Company’s financial assets fall as of December 31, 2018:

	Total	Level 1	Level 2	Level 3
<b>Financial assets:</b>				
<i>Included in cash and cash equivalents</i>				
U.S. treasury instruments	\$ 110,529	\$ 100,500	\$ 10,029	\$ —
Government securities money market	90,866	—	90,866	—
<i>Investments</i>				
Government debt securities (1)	1,105	—	1,105	—
U.S. treasury instruments	79,395	7,977	71,418	—
Common stock	150	150	—	—
Total financial assets	<u>\$ 282,045</u>	<u>\$ 108,627</u>	<u>\$ 173,418</u>	<u>\$ —</u>

(1) Consists of municipal bonds and agency bonds.

For the twelve months ended December 31, 2018, unrealized losses of \$113 were recognized in other income and expenses on the consolidated statement of operations related to common stock held at the reporting date. The cost basis of the financial assets recorded at fair value included in investments on the consolidated statement of financial condition was \$80,717 as of December 31, 2018.

## 7. INCOME TAXES

The following table presents the U.S. and non-U.S. components of income (loss) before income tax expense:

	For the Year Ended December 31,		
	2019	2018	2017
U.S.	\$ 156,983	\$ 237,920	\$ 279,038
Non-U.S.	(9,478)	532	71,313
Income (loss) before income taxes	<u>\$ 147,505</u>	<u>\$ 238,452</u>	<u>\$ 350,351</u>

The current and deferred components of the income tax provision for the years ended December 31, 2019, 2018, and 2017 are as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Current income taxes:			
Federal	\$ 4,527	\$ 15,023	\$ 19,923
State and Local	3,212	7,218	4,556
Foreign	409	1,393	7,651
	<u>\$ 8,148</u>	<u>\$ 23,634</u>	<u>\$ 32,130</u>
Deferred income taxes:			
Federal	\$ 3,084	\$ 5,221	\$ 192,102
State and Local	613	1,087	1,538
Foreign	(32)	506	(1,943)
Total	<u>\$ 11,813</u>	<u>\$ 30,448</u>	<u>\$ 223,827</u>

The total provision for income taxes differs from the amount which would be computed by applying the appropriate statutory rate to income before income taxes as follows:

	For the Year Ended December 31,		
	2019	2018	2017
Reconciliation of federal statutory tax rates			
U.S. statutory tax rate	21.0 %	21.0 %	35.0 %
Increase (decrease) due to state and local taxes	4.5 %	4.0 %	2.7 %
Rate benefit as a U.S. limited partnership/flow through	-4.4 %	-6.1 %	-10.1 %
Estimated re-measurement impact primarily related to the Tax Act	0.0 %	0.0 %	51.7 %
Other income from reduction of amount due pursuant to tax receivable agreement in connection with the Tax Act	0.0 %	0.0 %	-14.6 %
Excess tax benefit from equity compensation delivery	-11.9 %	-5.7 %	-1.7 %
Foreign taxes	-0.4 %	0.4 %	0.7 %
Other	-0.8 %	-0.8 %	0.2 %
Effective income tax rate	<u>8.0 %</u>	<u>12.8 %</u>	<u>63.9 %</u>

Deferred income taxes reflect the net effect of temporary differences between the tax basis of an asset or liability and its reported amount in the Company's consolidated statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

The significant components of deferred tax assets and liabilities included on the Company's consolidated statements of financial condition are as follows:

	<b>For the Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Net operating loss	\$ 12,275	\$ 8,397
Step-up in tax basis in Group LP assets	333,221	356,069
Deferred compensation	65,742	45,875
Lease liability	39,994	—
	<u>451,232</u>	<u>410,341</u>
Valuation allowance on NOL and other	(10,038)	(7,014)
Deferred tax asset	<u>\$ 441,194</u>	<u>\$ 403,327</u>
Right-of-use asset	\$ (38,559)	\$ —
Other	(2,139)	(468)
Deferred tax liability	<u>\$ (40,698)</u>	<u>\$ (468)</u>
Net deferred tax asset	<u>\$ 400,496</u>	<u>\$ 402,859</u>

The Company recorded a decrease in the net deferred tax asset of \$2,363 for the twelve months ended December 31, 2019, which was primarily attributable to a decrease in the step-up in tax basis in Group LP assets for the current year amortization and the vesting and delivery of equity based awards during 2019, partially offset by an increase in the deferred tax asset related to deferred compensation.

As of December 31, 2019, the Company had accumulated net foreign operating loss carryforwards related to its international operations of approximately \$50,184 for which it has recorded a deferred tax asset of \$12,275. Approximately \$42,632 of the operating losses (or \$10,318 of the deferred tax asset) has an indefinite life and \$7,552 of the operating losses (or \$1,957 of the deferred tax asset) will expire on dates between 2022 and 2028.

The Company's operations are comprised of entities that are organized as limited liability companies and limited partnerships. For U.S. federal income tax purposes, taxes related to income earned by these entities represent obligations of their interest holders. The Company is subject to U.S. corporate federal, state and local income tax on its allocable share of results of operations from Group LP.

As of December 31, 2019, the Company's tax years for 2018, 2017 and 2016 are generally subject to examination by the tax authorities. As of December 31, 2019, the Company does not expect any material changes in its tax provision related to any outstanding current examinations. Developments with respect to such examinations are monitored on an ongoing basis and adjustments to tax liabilities are made as appropriate.

The Company has no unrecognized tax benefits for the periods ended December 31, 2019, 2018 and 2017.

## 8. NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS

The calculations of basic and diluted net income (loss) per share attributable to holders of shares of Class A common stock for the years ended December 31, 2019, 2018 and 2017 are presented below.

(dollars in thousands, except per share amounts)	Year Ended December 31,		
	2019	2018	2017
<i>Numerator:</i>			
Net income (loss) attributable to holders of shares of Class A common stock—basic	\$ 105,095	\$ 140,680	\$ 29,400
Add (deduct) dilutive effect of:			
Noncontrolling interests related to Class A partnership units	(a)	(a)	(a)
Net income (loss) attributable to holders of shares of Class A common stock—diluted	<u>\$ 105,095</u>	<u>\$ 140,680</u>	<u>\$ 29,400</u>
<i>Denominator:</i>			
Weighted average shares of Class A common stock outstanding—basic	50,373,874	43,216,358	30,597,058
Add (deduct) dilutive effect of:			
Noncontrolling interests related to Class A partnership units	(a)	(a)	(a)
Weighted average number of incremental shares issuable from unvested restricted stock, RSUs and stock options, as calculated using the treasury stock method	(b) 5,139,275	(b) 7,474,170	(b) 7,078,453
Weighted average shares of Class A common stock outstanding—diluted	<u>55,513,149</u>	<u>50,690,528</u>	<u>37,675,511</u>
Net income (loss) per share attributable to holders of shares of Class A common stock			
Basic	<u>\$ 2.09</u>	<u>\$ 3.26</u>	<u>\$ 0.96</u>
Diluted	<u>\$ 1.89</u>	<u>\$ 2.78</u>	<u>\$ 0.78</u>

We have not included the impact of Class B common stock because these shares are entitled to an insignificant amount of economic participation.

- (a) Class A partnership units may be exchanged for Moelis & Company Class A common stock on a one-for-one basis, subject to applicable lock-up, vesting and transfer restrictions. If all Class A partnership units were to be exchanged for Class A common stock, fully diluted Class A common stock outstanding would be 68,516,397 shares for the year ended December 31, 2019, 67,339,974 shares for the year ended December 31, 2018 and 63,647,961 shares for the year ended December 31, 2017. In computing the dilutive effect, if any, that the aforementioned exchange would have on net income (loss) per share, net income (loss) available to holders of Class A common stock would be adjusted due to the elimination of the noncontrolling interests in consolidated entities associated with the Group LP Class A partnership units (including any tax impact). For the year ended December 31, 2019, 2018 and 2017, such exchange is not reflected in diluted net income (loss) per share as the assumed exchange is not dilutive.
- (b) During the years ended December 31, 2019, 2018 and 2017, certain shares of Moelis & Company's Class A common stock assumed to be issued pursuant to certain RSUs as calculated using the treasury stock method were antidilutive and therefore have been excluded from the calculation of diluted net income (loss) per share attributable to Moelis & Company. The additional weighted average amount of RSUs that would have been included in this calculation if the effect were dilutive would have been 64,676 units for the year ended December 31, 2019, 243 units for the year ended December 31, 2018 and 6,137 units for the year ended December 31, 2017.

## **9. EQUITY-BASED COMPENSATION**

### **Partnership Units**

Prior to the Company's restructuring and IPO, the business operated as a partnership and its ownership structure was comprised of common partners (principally outside investors) holding units. The common partners contributed capital to the partnership and were not subject to vesting. Units granted to Managing Directors upon joining the Company and as part of annual incentive compensation generally vested based on service over five to eight years. Certain non-Managing Director employees were granted units as part of their incentive arrangements and these units generally vested based on service ratably over four years. In connection with the Company's restructuring and IPO, substantially all of the Managing Director partner equity subject to vesting was accelerated. Units granted to non-Managing Director employees were not accelerated in connection with the Company's restructuring and IPO and continue to vest based on the original terms of the grant.

In connection with the reorganization and IPO, Group LP issued Class A partnership units to Moelis & Company and to certain existing unit holders. Following the reorganization, a Group LP Class A partnership unit (not held by Moelis & Company or its subsidiaries) is exchangeable into one share of Moelis & Company Class A common stock and represents the Company's noncontrolling interests. As of December 31, 2019, partners held 12,958,022 Group LP partnership units, 36,634 of which were unvested and will continue to vest over their service life.

In relation to the vesting of units, the Company recognized compensation expenses of \$211, \$1,123 and \$2,137 for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019, there was \$39 of unrecognized compensation expense related to unvested Class A partnership units which is expected to be recognized over a weighted-average period of 0.3 years, using the graded vesting method.

### **2014 Omnibus Incentive Plan**

In connection with the IPO, the Company adopted the Moelis & Company 2014 Omnibus Incentive Plan (the "Plan") to provide additional incentives to selected officers, employees, Managing Directors, non-employee directors, independent contractors, partners, senior advisors and consultants. The Plan provides for the issuance of incentive stock options ("ISOs"), nonqualified stock options, stock appreciation rights ("SARs"), restricted stock, RSUs, stock bonuses, other stock-based awards and cash awards.

### **Share Repurchase Plan**

In the first quarter of 2015, the Board of Directors authorized the repurchase of up to \$25 million of shares of Class A common stock of the Company and/or Class A partnership units of Group LP with no expiration date. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will be opportunistic and measured in nature and will depend on a variety of factors, including price and market conditions. In February 2019, the Board of Directors authorized the repurchase of up to \$100 million of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date. This new authorization replaced the former repurchase program and the remaining authorization under the program was eliminated. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will be opportunistic and measured in nature and will depend on a variety of factors, including price and market conditions. The remaining balance of shares authorized for repurchase under the program was \$86.4 million as of December 31, 2019.

### **Restricted Stock and Restricted Stock Units (RSUs)**

Pursuant to the Plan and in connection with the Company's annual compensation process and ongoing hiring process, the Company issues RSUs which generally vest over a service life of four to five years. For the years ended December 31, 2019, 2018 and 2017, the Company recognized expenses of \$123,395, \$120,012 and \$91,598, respectively, in relation to these RSUs.

The following table summarizes activity related to restricted stock and RSUs for the years ended December 31, 2019, 2018 and 2017.

	Restricted Stock & RSUs					
	2019		2018		2017	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested Balance at January 1,	8,761,224	\$ 37.59	9,357,999	\$ 30.15	8,504,190	\$ 26.70
Granted	4,384,073	44.59	3,376,027	54.23	3,348,651	37.40
Forfeited	(273,698)	45.22	(127,606)	38.90	(87,615)	30.59
Vested	(4,457,469)	34.63	(3,845,196)	31.15	(2,407,227)	27.10
Unvested Balance at December 31,	<u>8,414,130</u>	<u>\$ 42.19</u>	<u>8,761,224</u>	<u>\$ 37.59</u>	<u>9,357,999</u>	<u>\$ 30.15</u>

As of December 31, 2019, the total compensation expense related to unvested restricted stock and RSUs not yet recognized was \$124,064. The weighted-average period over which this compensation expense is expected to be recognized at December 31, 2019 is 1.4 years.

### Stock Options

Pursuant to the Plan, the Company issued 3,501,881 stock options in 2014 which vest over a five-year period. The Company estimated the fair value of stock option awards at grant using the Black-Scholes valuation model with the following assumptions:

	Assumptions
Expected life (in years)	6
Weighted-average risk free interest rate	1.91%
Expected volatility	35%
Dividend yield	2.72%
Weighted-average fair value at grant date	\$ 6.70

The Company paid special dividends of \$8.30, in aggregate, through December 31, 2019. As required under Section 5 of the Company's 2014 Omnibus Incentive Plan, the Compensation Committee of the Company's Board of Directors equitably reduced the exercise price of the Company's outstanding options to purchase common stock by \$8.30 from \$25.00 per share to \$16.70 per share.

The following table summarizes activity related to stock options for the years ended December 31, 2019, 2018 and 2017.

	Stock Options Outstanding					
	2019		2018		2017	
	Number Outstanding	Weighted Average Exercise Price Per Share	Number Outstanding	Weighted Average Exercise Price Per Share	Number Outstanding	Weighted Average Exercise Price Per Share
Outstanding at January 1,	2,017,067	\$ 16.70	2,436,232	\$ 16.70	2,822,728	\$ 16.70
Exercises	(1,285,533)	16.70	(351,904)	16.70	(279,277)	16.70
Forfeitures or expirations	(3,000)	16.70	(67,261)	16.70	(107,219)	16.70
Outstanding at December 31,	<u>728,534</u>	<u>\$ 16.70</u>	<u>2,017,067</u>	<u>\$ 16.70</u>	<u>2,436,232</u>	<u>\$ 16.70</u>

For the years ended December 31, 2019, 2018 and 2017, the Company recognized expenses of \$606, \$1,902, and \$2,560 respectively, in relation to these stock options. As of April 2019, all stock options were fully vested and all stock options will expire during April 2020.

## 10. STOCKHOLDERS EQUITY

### Class A Common Stock

In April 2014, the Company issued 15,263,653 shares of Class A common stock in connection with the IPO and reorganization.

Since its IPO, the Company has conducted several offerings of Class A common stock in order to facilitate organized liquidity and increase the public float of its Class A common stock. The details of these offerings are displayed below. The Company did not retain any proceeds from the sale of its Class A common stock.

<u>Date of Offering</u>	<u>Total Shares Offered</u>	<u>Total Increase in Shares Outstanding</u>
November, 2014	6,325,000	4,511,058
January, 2017	5,750,000	5,356,876
July, 2017	6,000,000	5,680,903
March, 2018	5,000,000	4,689,295
August, 2018	5,000,000	4,685,217
Total	28,075,000	24,923,349

As of December 31, 2019, there were 52,773,617 shares of Class A common stock issued, 2,757,558 shares of treasury stock, and 50,016,059 shares outstanding. As of December 31, 2018, there were 47,031,095 shares of Class A common stock issued, 1,426,115 shares of treasury stock, and 45,604,980 shares outstanding. The changes in Class A common stock are due primarily to the IPO and offering transactions described above, in addition to the exercise of stock options and vesting of restricted stock units in connection with the Company's annual compensation process and ongoing hiring process.

### Class B Common Stock

In conjunction with Moelis & Company's IPO of its Class A common stock, the Company issued 36,158,698 shares of Class B common stock. Moelis & Company Partner Holdings LP ("Partner Holdings") holds all shares of Class B common stock, enabling it initially to exercise majority voting control over the Company. The economic rights of Class B common stock are based on the ratio of the Class B subscription price to the initial public offering price of shares of Class A common stock (.00055 to 1). Shares of Class B common stock are generally not transferrable and, if transferred other than in the limited circumstances set forth in Moelis & Company's Amended and Restated Certificate of Incorporation, such shares shall automatically convert into a number of shares of Class A common stock, or dollar equivalent. Each share of Class B common stock may also be converted to a number of Class A shares at the option of the holder. Holders of shares of Class B common stock are entitled to receive dividends of the same type as any dividends payable on outstanding shares of Class A common stock at a ratio of .00055 to 1.

<u>Date of Offering</u>	<u>Class B Stock Purchased / Surrendered</u>	<u>Purchase Cost (in thousands)</u>
November, 2014	4,507,453	\$ 28
January, 2017	5,356,876	101
July, 2017	5,680,903	128
March, 2018	4,689,295	135
August, 2018	4,685,217	158
Total	24,919,744	\$ 550

As of December 31, 2019, and December 31, 2018, 10,397,915 and 10,493,358 shares of Class B common stock were issued and outstanding, respectively, due primarily to the IPO, offering transactions, and Class B conversions described above.

## Treasury Stock

During the years ended December 31, 2019 and 2018, the Company repurchased 1,331,443 and 718,699 shares, respectively. Pursuant to the Company's share repurchase program and shares repurchased from its employees for the purpose of settling tax liabilities incurred upon the delivery of equity-based compensation awards. The result of the repurchases was an increase of \$51,175 and \$33,473, respectively, in the treasury stock balance on the Company's consolidated statements of changes in equity as of December 31, 2019 and 2018.

## Noncontrolling Interests

A Group LP Class A partnership unit (not held by Moelis & Company or its subsidiaries) is exchangeable into one share of Moelis & Company Class A common stock and represents the Company's noncontrolling interests (non-redeemable). As of December 31, 2019 and 2018, partners held 12,958,022 and 13,053,465 Group LP partnership units, respectively, representing a 21% and 22% noncontrolling interest in Moelis & Company, respectively.

## Controlling Interests

Moelis & Company operates and controls all of the business and affairs of Group LP and its operating entity subsidiaries indirectly through its equity interest in Group GP, and thus the 50,016,059 shares of Class A common stock outstanding at December 31, 2019 (45,604,980 as of December 31, 2018), represents the controlling interest.

## 11. RELATED-PARTY TRANSACTIONS

*Aircraft Lease*—On August 30, 2014, a related party, Moelis & Company Manager LLC ("Manager"), acquired an aircraft with funds received solely from its managing member (Mr. Moelis). The aircraft was used and operated by the Company pursuant to a dry lease with Manager. The terms of the dry lease were comparable to the market rates of leasing from an independent third party. Pursuant to this dry lease arrangement, the lessee is obligated to bear its share of the costs of operating the aircraft. In addition, Mr. Moelis was the other lessee of the aircraft and shared the operating and related costs of the plane in proportion to his respective use pursuant to a cost sharing and operating agreement. On July 12, 2019, the Company terminated its aircraft dry lease with Manager, the lessor, and Mr. Moelis, the other lessee (the "Old Lease") and the related cost sharing agreement with Mr. Moelis, which were set to expire by their terms on December 31, 2019, and entered into a new dry lease with Manager, the lessor, and Mr. Moelis, the other lessee (the "New Lease") and cost sharing agreement with Mr. Moelis, which terminates on December 31, 2022. The terms of the New Lease and new cost sharing agreement are substantially similar to the Old Lease and related cost sharing agreement.

For the years ended December 31, 2019, 2018, and 2017, the Company incurred \$1,674, \$1,872 and \$1,872 in aircraft lease costs to be paid to Manager, respectively.

*Promissory Notes*—As of December 31, 2019, there were \$189 of unsecured promissory notes from employees held by the Company (December 31, 2018: \$189). Any outstanding balances are reflected in accrued and other receivables on the consolidated statements of financial condition. The notes held as of December 31, 2019 and 2018 bear a fixed interest rate of 4.00%. During the years ended December 31, 2019, 2018 and 2017, the Company received \$0, \$366 and \$781, respectively, of principal repayments and recognized interest income of \$8, \$13 and \$27, respectively, on such notes, which is included in other income and expenses on the consolidated statements of operations.

*Services Agreement*—In connection with the Company's IPO, the Company entered into a services agreement with a related party, Moelis Asset Management LP, whereby the Company provides certain administrative services, technology, and office space to Moelis Asset Management LP for a fee. This fee totaled \$248, \$537 and \$1,118 for the years ended December 31, 2019, 2018 and 2017, respectively. The amount of the fee is based upon the estimated usage and related expense of all shared services between the Company and Moelis Asset Management LP during the relevant period, and will be assessed periodically by management as per the terms of the agreement. As of December 31, 2019 and 2018, the Company had no balances due from Moelis Asset Management LP.

*Moelis Australia*—As of December 31, 2019 and 2018, the Company had net balances due to Moelis Australia of \$0 and \$1,673, respectively, which are reflected in accrued and other receivables on the consolidated statements of financial condition. These balances consist of amounts due to or from Moelis Australia for advisory services performed as well as billable expenses incurred by the Company on behalf of Moelis Australia during the period. The relationship between the Company and Moelis Australia is governed by a services agreement.

*Revenues*—From time to time, the Company enters into advisory transactions with Moelis Asset Management LP and its affiliates. The Company earned revenues associated with such transactions of \$210, \$1,882 and \$1,240 for the years ended December 31, 2019, 2018 and 2017, respectively.

## 12. REGULATORY REQUIREMENTS

Under the SEC Uniform Net Capital Rule (SEC Rule 15c3-1) Alternative Standard under Section (a)(1)(ii), the minimum net capital requirement is \$250. At December 31, 2019, Moelis U.S. had net capital of \$160,401, which was \$160,151 in excess of its required net capital. At December 31, 2018, Moelis U.S. had net capital of \$63,099 which was \$62,849 in excess of its required net capital.

Moelis U.S. does not carry customer accounts and does not otherwise hold funds or securities for, or owe money or securities to, customers and accordingly is exempt under Section (k)(2)(ii) of SEC Rule 15c3-3.

At December 31, 2019, the aggregate regulatory net capital of Moelis UK was \$11,978 which exceeded the minimum requirement by \$11,922. At December 31, 2018, the aggregate regulatory net capital of Moelis UK was \$23,041, which exceeded the minimum requirement by \$22,984.

## 13. COMMITMENTS AND CONTINGENCIES

**Bank Line of Credit**— In June 2019, the Company renewed its revolving credit facility which extended the maturity date to June 30, 2020. In May 2018, the facility was revised and the commitment amount increased to \$65,000.

Borrowings on the facility bear interest at the greater of a fixed rate of 3.50% per annum or at the borrower's option of (i) LIBOR plus 1% or (ii) Prime minus 1.50%. As of December 31, 2019 and 2018, the Company had no borrowings under the credit facility.

As of December 31, 2019, the Company's available credit under this facility was \$60,036 as a result of the issuance of an aggregate amount of \$4,964 of various standby letters of credit, which were required in connection with certain office lease and other agreements. The Company incurs a 1% per annum fee on the outstanding balance of issued letters of credit.

**Leases**— The Company maintains operating leases for corporate offices and an aircraft with various expiration dates, some of which extend through 2036. Some leases include options to terminate or to extend the lease terms. The Company records lease liabilities measured at the present value of anticipated lease payments over the lease term, including options to extend or terminate the lease when it is reasonably certain such options will be exercised. The implicit discount rates used to determine the present value of the Company's leases are not readily determinable, thus the Company uses its secured borrowing rate, which was determined with reference to our available credit line. See below for additional information about the Company's leases.

(\$ in thousands)	<u>Year Ended December 31,</u>	
	<u>2019</u>	
<b>Supplemental Income Statement Information:</b>		
Operating lease cost	\$	16,980
<b>Supplemental Cash Flow Information:</b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$	19,373
<b>Other Information</b>		
Weighted-average remaining lease term - operating leases		14.03 years
Weighted-average discount rate - operating leases		3.53 %
Right-of-use assets obtained in exchange for lease obligations (e.g. new leases commenced during the period):	\$	160,657

During the fourth quarter of 2019, a lease commenced to expand the Company's workspace at its headquarters at 399 Park Avenue in New York. The commencement of this lease led to the capitalization of approximately \$151 million in right-of-use assets and operating lease liabilities.

During the years ended December 31, 2018 and 2017, the Company incurred expenses relating to its operating leases of \$15,965 and \$15,102, respectively.

As of December 31, 2019, the future sublease income and maturities of our operating lease liabilities are as follows:

Fiscal year ended	Sublease Income		Operating Lease Payments	
2020	\$	(878)	\$	16,085
2021		(878)		18,662
2022		(878)		23,424
2023		(878)		20,428
2024		(878)		18,791
Thereafter		(439)		191,474
Total payments	\$	(4,829)	\$	288,864
				Less: Tenant improvement allowances (22,852)
				Less: Present value adjustment (68,387)
				Net lease liability \$ 197,625

In accordance with ASC 840, the future minimum rental payments under the operating leases in place at December 31, 2018 are as follows:

Fiscal year ended	Operating Leases		Sublease Income		Net Minimum Payments	
2019	\$	19,742	\$	(530)	\$	19,212
2020		13,836		(849)		12,987
2021		8,682		(849)		7,833
2022		8,471		(849)		7,622
2023		7,090		(849)		6,241
Thereafter		12,349		(1,273)		11,076
Total	\$	70,170	\$	(5,199)	\$	64,971

**Contractual Arrangements**—In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties and which provide indemnification for specified losses, including certain indemnification of certain officers, directors and employees.

**Legal**—In the ordinary course of business, from time to time the Company and its affiliates are involved in judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, government agencies and self-regulatory organizations conduct periodic examinations and initiate administrative proceedings regarding the Company's business, including, among other matters, compliance, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, investment advisor, or its directors, officers or employees. In view of the inherent difficulty of determining whether any loss in connection with 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, the Company 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, the Company believes, based on current knowledge and after consultation with counsel, that it is 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.

#### 14. EMPLOYEE BENEFIT PLANS

The Company covers substantially all U.S. salaried employees with a defined contribution 401(k) plan. Each salaried employee of the Company who has attained the age of 21 is eligible to participate in the 401(k) plan on their first day of employment. Any employer contributions to the 401(k) plan are entirely at the discretion of the Company. The Company accrued expenses relating to employer matching contributions to the 401(k) plan for the years ended December 31, 2019, 2018 and 2017, in the amounts of \$2,860, \$2,379 and \$2,264, respectively.

## 15. REVENUES AND BUSINESS INFORMATION

The Company's activities as an investment banking advisory firm constitute a single business segment offering clients, including corporations, governments, sovereign wealth funds and financial sponsors, a range of advisory services with expertise across all major industries in mergers and acquisitions, recapitalizations and restructurings, capital markets and other corporate finance matters.

Since the financial markets are global in nature, the Company generally manages its business based on the operating results of the enterprise taken as whole, not by geographic region. The following table disaggregates the 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 our clients are located. No client accounted for more than 10% of revenues for the years ended December 31, 2019, 2018 and 2017.

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
United States	\$ 635,787	\$ 731,265	\$ 535,985
Europe	78,842	95,844	111,088
Rest of World	31,905	58,731	37,542
Total	<u>\$ 746,534</u>	<u>\$ 885,840</u>	<u>\$ 684,615</u>

	December 31,	December 31,
	2019	2018
Assets:		
United States	\$ 934,654	\$ 756,053
Europe	67,247	55,064
Rest of World	69,798	103,258
Total	<u>\$ 1,071,699</u>	<u>\$ 914,375</u>

As of December 31, 2019, and December 31, 2018, the Company had deferred revenues of \$3,023 and \$7,074, respectively. These amounts primarily consist of upfront fees and retainers for our services. During the year ended December 31, 2019, \$6,405 of revenues were recognized from the opening balance of deferred revenues.

Due to the factors that may delay or terminate a transaction (see Note 2), the Company does not estimate constrained transaction fees for revenue recognition. In accordance with ASC 606-10-50-14A, quantitative disclosures of constrained variable consideration are not provided for remaining performance obligations. In addition, remaining performance obligations related to retainers, upfront fees and announcement fees are typically associated with contracts that have durations of one year or less.

## 16. SUBSEQUENT EVENTS

On February 4, 2020, the Board of Directors of Moelis & Company declared a special dividend of \$0.75 per share in addition to a quarterly dividend of \$0.51 per share. The \$1.26 per share will be paid on March 27, 2020 to Class A common stockholders of record on February 18, 2020.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**Consolidated Quarterly Results of Operations (Unaudited)**

(\$ in thousands, except per share data)	For the Three Months Ended			
	March 31, 2019	June 30, 2019	September 30, 2019 <sup>(1)</sup>	December 31, 2019 <sup>(2)</sup>
Revenues	\$ 137,783	\$ 153,523	\$ 231,700	\$ 223,528
Total operating expenses	128,154	119,644	177,417	206,776
Operating income (loss)	\$ 9,629	\$ 33,879	\$ 54,283	\$ 16,752
Net income (loss)	\$ 16,177	\$ 37,667	\$ 54,698	\$ 27,150
Less: net income (loss) attributable to noncontrolling interests	2,607	8,208	14,083	5,699
Net income (loss) attributable to Moelis & Company	\$ 13,570	\$ 29,459	\$ 40,615	\$ 21,451
Net income per share of common stock:				
Basic	\$ 0.28	\$ 0.59	\$ 0.80	\$ 0.42
Diluted	\$ 0.25	\$ 0.54	\$ 0.73	\$ 0.38
Dividends declared per share of common stock	\$ 1.75	\$ 0.50	\$ 0.50	\$ 0.50

(\$ in thousands, except per share data)	For the Three Months Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Revenues	\$ 219,418	\$ 220,405	\$ 207,723	\$ 238,294
Total operating expenses	164,349	164,760	154,811	175,139
Operating income (loss)	\$ 55,069	\$ 55,645	\$ 52,912	\$ 63,155
Net income (loss)	\$ 53,981	\$ 53,130	\$ 44,888	\$ 56,005
Less: net income (loss) attributable to noncontrolling interests	20,656	17,440	12,439	16,789
Net income (loss) attributable to Moelis & Company	\$ 33,325	\$ 35,690	\$ 32,449	\$ 39,216
Net income per share of common stock:				
Basic	\$ 0.92	\$ 0.85	\$ 0.72	\$ 0.82
Diluted	\$ 0.75	\$ 0.72	\$ 0.61	\$ 0.72
Dividends declared per share of common stock	\$ 1.97	\$ 0.47	\$ 1.97	\$ 0.47

- (1) Results of operations for the three months ended September 30, 2019 include approximately \$12.6 million in gains from the sale of 12.5 million shares of Moelis Australia.
- (2) Results of operations for the three months ended December 31, 2019 include approximately \$8.1 million in gains from the sale of 8.0 million shares of Moelis Australia.

**Schedule II—Valuation and Qualifying Accounts**

**For the Year Ended December 31, 2019**

**(dollars in thousands)**

	Allowance for Doubtful Accounts(1)					
	2019		2018		2017	
Balance at beginning of period	\$	1,975	\$	1,433	\$	475
Additions:						
Bad debt expense		2,399		1,044		2,895
Deductions:						
Charge-offs of uncollectible balances		(286)		(502)		(1,937)
Balance at end of period	\$	<u>4,088</u>	\$	<u>1,975</u>	\$	<u>1,433</u>

(1) Includes the allowance for doubtful accounts for both accounts receivable and other receivables.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

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 rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

**Management's Report on Internal Control over Financial Reporting**

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework (2013). Based on this assessment, management has concluded that, as of December 31, 2019, our internal control over financial reporting was effective at a reasonable assurance level.

The Company's independent registered public accounting firm has issued its written attestation report on the Company's internal control over financial reporting, as included in Part II, Item 8 of this Annual Report on Form 10-K and are incorporated herein by reference.

**Changes in Internal Controls**

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

In April 2014, we entered into a Master Services Agreement with Old Holdings, an entity controlled by our Chairman and Chief Executive Officer Kenneth Moelis, and certain of Old Holdings' subsidiaries, which was renewed in 2016, 2017, 2018 and 2019 for one year terms. On February 27, 2020, we entered into the fifth renewal of this agreement for a term of one year. The foregoing summary is not complete and is qualified in its entirety by reference to the renewal agreement, which is filed herewith as Exhibit 10.24.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 of Form 10-K will be included in our definitive proxy statement to be filed for our 2020 annual meeting of stockholders (“2020 Proxy Statement”), expected to be held in June 2020, and is incorporated herein by reference. The 2020 Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year to which this report relates.

### Item 11. Executive Compensation

The information required by this Item 11 of Form 10-K will be included in our 2020 Proxy Statement and is incorporated herein by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Other than as set out below, the information required by this Item 12 of Form 10-K will be included in our 2020 Proxy Statement and is incorporated herein by reference.

#### Equity Compensation Plan Information

The following table provides information as of December 31, 2019 regarding securities issued under our Moelis & Company 2014 Omnibus Incentive Plan.

	Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(2)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plan (Excluding Securities Reflected In First Column)(3)
Equity compensation plans approved by shareholders	2014 Omnibus Incentive Plan (1)	11,136,626	\$ 16.70	4,662,932
Equity compensation plans not approved by shareholders	None	—	—	—
<b>Total</b>		<b>11,136,626</b>	<b>\$ 16.70</b>	<b>4,662,932</b>

(1) Our 2014 Omnibus Incentive Plan was approved by our security holders in April 2014. See “Note 9—Equity Based Compensation” of the consolidated financial statements for a description of our Omnibus Incentive Plan.

(2) Excludes 12,958,022 Group LP Partnership Units.

(3) The number of shares of Class A common stock available for issuance under the 2014 Omnibus Incentive Plan is adjusted on the first day of each fiscal year by a formula, which generally provides the shares available for issuance to be equal to 15% of the outstanding Class A common stock of the Company at that time.

### Item 13. Certain Relationship and Related Transactions, and Director Independence

The information required by this Item 13 of Form 10-K will be included in our 2020 Proxy Statement and is incorporated herein by reference.

### Item 14. Principal Accounting Fees and Services

The information required by this Item 14 of Form 10-K will be included in our 2020 Proxy Statement and is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

**1. Financial Statements**

The consolidated financial statements required to be filed in the Form 10-K are listed in Part II, Item 8 hereof.

**2. Financial Data Schedules**

See “Index to Consolidated Financial Statements” in this Form 10-K listed in Part II, Item 8 hereof.

**3. Exhibits**

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.

## EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
10.1**	Form of Indemnification Agreement between the Registrant and its directors and officers (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-200035) filed with the SEC on November 10, 2014)
10.2**	2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-197955) filed with the SEC on August 8, 2014)
10.3	Stockholders Agreement, dated April 15, 2014, by and between the Registrant and Moelis & Company Partner Holdings LP, Kenneth Moelis, The Moelis Irrevocable Trust and The Moelis Family Trust (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
10.4**	Statement of Terms and Conditions of the 2014 Incentive Restricted Stock Unit Award for Managing Directors (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (File No. 333-200035) filed with the SEC on November 10, 2014)
10.5**	Statement of Terms and Conditions of the 2014 Restricted Stock Unit Award for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-200035) filed with the SEC on November 10, 2014)
10.6**	Statement of Terms and Conditions of the 2015 Restricted Stock Unit Award for Non-Employee Directors (incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 27, 2015)
10.7	Amended and Restated Agreement of Limited Partnership, dated April 15, 2014, by and between the Registrant, Moelis & Company Group GP LLC and the other limited partners from time to time party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
10.8	Second Amendment to the Amended and Restated Agreement of Limited Partnership of Moelis & Company Group LP, dated July 31, 2019 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on July 31, 2019)
10.9	Tax Receivable Agreement, dated April 15, 2014, by and among the Registrant, Moelis & Company Group LP and each of the Partners (as defined therein) (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
10.10	Trademark License Agreement, dated April 15, 2014, by and between Moelis & Company Group LP and Kenneth Moelis (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
10.11	Trademark License Agreement, dated April 15, 2014, by and between Moelis & Company Group LP and Moelis Asset Management LP (formerly Moelis & Company Holdings LP) (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
10.12**	Employment Agreement, dated April 15, 2014, by and among Kenneth Moelis, Moelis & Company Group LP and the Registrant (incorporated by reference to Exhibit 10.10 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
10.13**	Employment Agreement, dated April 15, 2014, by and among Navid Mahmoodzadegan, Moelis & Company Group LP and the Registrant (incorporated by reference to Exhibit 10.11 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)

Exhibit Number	Description
10.14**	Employment Agreement, dated April 15, 2014, by and among Jeffrey Raich, Moelis & Company Group LP and the Registrant (incorporated by reference to Exhibit 10.12 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
10.15	Aircraft Dry Lease, dated July 12, 2019, among Moelis & Company Manager LLC, Kenneth Moelis and the Registrant (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on July 31, 2019)
10.16	Cost Sharing and Operating Agreement, dated July 12, 2019, among Kenneth Moelis and the Registrant (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on July 31, 2019)
10.17	Employment Agreement, dated September 3, 2014, by and among Eric Cantor, Moelis & Company Group LP and the Registrant** (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 7, 2014)
10.18	Amendment, dated April 15, 2014, by and between the Registrant, Moelis & Company Group GP LLC and the other limited partners from time to time party thereto to the Amended and Restated Agreement of Limited Partnership of Moelis & Company Group LP (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 7, 2014)
10.19	Advisory Units Agreement, dated as of April 30, 2015, by and among Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities Inc., SMBC Capital Markets, Inc., Moelis & Company Group LP, Moelis & Company and Moelis & Company Group GP LLC (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on May 1, 2015)
10.20	Assignment and Assumption of the Strategic Alliance Agreement, dated as of April 30, 2015, by and among Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities Inc., SMBC Capital Markets, Inc., Moelis Asset Management LP, Moelis & Company Group LP, Moelis & Company and Moelis & Company Holdings GP LLC (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on May 1, 2015)
10.21	Master Services Agreement, dated April 25, 2017 by and between Moelis & Company Group LP, Moelis Asset Management LP and certain subsidiaries of Moelis Asset Management LP (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 25, 2017)
10.22	Master Services Agreement, dated February 28, 2018 by and between Moelis & Company Group LP, Moelis Asset Management LP and certain subsidiaries of Moelis Asset Management LP (incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K filed on February 28, 2018)
10.23	Master Services Agreement, dated February 27, 2019 by and between Moelis & Company Group LP, Moelis Asset Management LP and certain subsidiaries of Moelis Asset Management LP (incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K Filed on February 27, 2019)
10.24	Master Services Agreement, dated February 27, 2020 by and between Moelis & Company Group LP, Moelis Asset Management LP and certain subsidiaries of Moelis Asset Management LP
21.1	Subsidiaries of Registrant
23.1	Consent of Deloitte & Touche LLP (filed herewith)
24.1	Power of Attorney (included on signature page hereto)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer of the Registrant in accordance with Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Rule 13a-14(a) Certification of Chief Financial Officer of the Registrant in accordance with Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Section 1350 Certification of Chief Executive Officer of the Registrant in accordance with Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Description
32.2*	Section 1350 Certification of Chief Financial Officer of the Registrant in accordance with Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained Exhibit 101)

\* Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Registrant's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934 irrespective of any general incorporation language contained in any such filing.

\*\* Management contract or compensatory plan

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 this 26<sup>th</sup> day of February, 2020.

Moelis & Company

By: /s/ KENNETH MOELIS

Name: Kenneth Moelis

Title: *Chairman and Chief Executive Officer*

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kenneth Moelis, Elizabeth Crain, Joseph Simon and Osamu Watanabe, and each of them, his true and lawful attorneys-in-fact and agents, with full power to act separately and full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K and all amendments thereto the Securities Exchange Act of 1934, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the SEC, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or his or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ KENNETH MOELIS</u> Kenneth Moelis	Chairman and Chief Executive Officer (Principal Executive Officer)	February 26, 2020
<u>/s/ JOSEPH SIMON</u> Joseph Simon	Chief Financial Officer (Principal Financial Officer)	February 26, 2020
<u>/s/ CHRIS CALLESANO</u> Chris Callesano	Principal Accounting Officer	February 26, 2020
<u>/s/ NAVID MAHMOODZADEGAN</u> Navid Mahmoodzadegan	Director	February 26, 2020
<u>/s/ JEFFREY RAICH</u> Jeffrey Raich	Director	February 26, 2020
<u>/s/ ERIC CANTOR</u> Eric Cantor	Vice Chairman and Director	February 26, 2020
<u>/s/ ELIZABETH CRAIN</u> Elizabeth Crain	Chief Operating Officer and Director	February 26, 2020
<u>/s/ JOHN A. ALLISON</u> John A. Allison	Director	February 26, 2020
<u>/s/ YOLONDA C. RICHARDSON</u> Yolonda C. Richardson	Director	February 26, 2020
<u>/s/ KENNETH L. SHROPSHIRE</u> Kenneth L. Shropshire	Director	February 26, 2020

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## Section 2: EX-10.24 (EX-10.24)

Exhibit 10.24

### MASTER SERVICES AGREEMENT

This **SERVICES AGREEMENT**, dated as of February 26, 2020 is made by and between **MOELIS & COMPANY GROUP LP**, a Delaware limited partnership ("Advisory"), and **MOELIS ASSET MANAGEMENT LP**, a Delaware limited partnership ("Asset Management") and each of the following subsidiaries of Asset Management: **P&S CREDIT MANAGEMENT, L.P.**, a Delaware limited partnership ("Gracie"), **FREEMPORT FINANCIAL PARTNERS LLC**, a Delaware limited liability company ("Freeport") and **STEELE CREEK INVESTMENT MANAGEMENT LLC**, a Delaware limited liability company ("Steele Creek").

### RECITALS

- A. Each of the Advisory and Asset Management were operated as businesses under Moelis Asset Management LP (formerly named Moelis & Company Holdings LP), prior to the initial public offering of Advisory.
- B. Advisory currently maintains certain staff and services which each of Asset Management, Gracie, Freeport and Steele Creek utilizes in the course of their respective business.
- C. Asset Management and Advisory each desire that Advisory shall henceforth provide the Asset Management Services (as defined below) to each of Asset Management, Gracie, Freeport and Steele Creek on the terms of and in accordance with this agreement.
- D. The parties additionally desire that this agreement govern any provision of services from Asset Management to Advisory.

## **AGREEMENT**

The parties to this agreement, in exchange for the mutual promises made herein and intending to be legally bound hereby, agree as follows:

### **ARTICLE 1.**

#### **SERVICES TO BE PROVIDED**

1.1 **Description of Services.** During the term of this agreement, Advisory will provide to Asset Management the services (the “Asset Management Services”) described on Schedule A-1 attached hereto (as the same may be amended from time to time, “Schedule A-1”). During the term of this agreement, Asset Management will provide to Advisory the services (the “Advisory Services”, and together with the Asset Management Services, the “Services”) described on Schedule A-2 attached hereto (as the same may be amended from time to time, “Schedule A-2”). Any entity receiving Services hereunder shall be referred to as a “Recipient” and any entity providing Services hereunder shall be referred to as a “Provider” as applicable. Additionally, Advisory will sublet certain office space to Asset Management as set forth on Schedule A-3 attached hereto. Each of Schedule A-1, Schedule A-2 and Schedule A-3 may be amended as set forth in Section 6.5 below.

1.2 **Personnel.**

(a) The Services to be provided by a Provider to a Recipient shall be provided by employees of such Provider or by service providers to such Provider, as applicable. In the event that any employees of a Provider as of the date of this agreement cease to be employed by such Provider, the Provider will have no obligation to hire a new employee for the purpose of providing the Services to the applicable Recipient and will not be liable for any losses, costs or damages caused by, attributable to or arising in connection with (A) such Recipient's failure to receive such Services, or (B) such Recipient's transition from the Services to any replacement services.

(b) Each entity acting as a Provider shall be responsible for the payment of all wages and federal, state and local taxes and withholdings payable with respect to the wages of such persons, shall maintain workers' compensation insurance required by applicable statutes with respect to such persons and shall maintain and provide all applicable employee benefits for such persons. No person providing Services to a Recipient shall be considered an employee of the Recipient because of the provision of such Services.

1.3 **Compensation.** Each Recipient shall pay each Provider a fee as set forth in Schedule B attached hereto as the total consideration for the Services to be provided to such Recipient during the term of this agreement and such Recipient shall not pay any additional fee or other compensation for such Services, unless the scope of those Services is expanded by mutual agreement of the parties and the parties agree that additional compensation should be paid in connection therewith. In the event Services are discontinued, fees for such Service will be prorated through date of termination. Asset Management may pay to Advisory the fees due on behalf of its subsidiaries.

1.4 **Warranty Disclaimer.** NO PROVIDER MAKES ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES IMPLIED BY LAW OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, REGARDING THIS AGREEMENT, OR THE PERFORMANCE OF THE SERVICES CONTEMPLATED BY THIS AGREEMENT.

1.5 **Limitation of Liability.** No Provider will be liable to any Recipient or to any other person or entity for any losses, costs or damages caused by, attributable to or arising in connection with the performance, nonperformance or delayed performance of the Services to be provided to such Recipient contemplated by this agreement, except for such losses, costs or damages attributable to such Provider's bad faith, gross negligence or willful misconduct for which damages the Provider will be liable. Notwithstanding the foregoing, no Provider shall be liable for any special, indirect, consequential or punitive damages in connection with the Services to any Recipient even if the Provider has been advised of the possibility of such damages. No Provider will be liable for any failure to perform or any delay in the performance of its obligations hereunder due to Force Majeure (as hereinafter defined).

1.6 **Consents.** Notwithstanding any provision of this agreement to the contrary, if the provision of any Service as contemplated by this agreement requires the consent, approval or authorization of any third party, the Provider providing such Service shall use its commercially reasonable efforts to obtain as promptly as possible after the date of this agreement such consent, approval or authorization (including obtaining from third party vendors all consents necessary to grant any sublicenses in connection with the performance of such Service) and shall be excused from performing such Service while it continues to use such commercially reasonable efforts. Any fee, cost or expense incurred in connection with obtaining such consent, approval or authorization shall be paid by the Provider. If any such consent, approval or authorization is not obtained promptly after the date of this

agreement, the Provider shall notify the applicable Recipient and the parties shall cooperate in good faith to devise an alternative arrangement to the provision of such Service, which alternative arrangement shall be reasonably satisfactory to each party.

## ARTICLE 2.

### TERM AND TERMINATION

2.1 **Term.** The effective date of this agreement is April 1, 2020 and will continue until the one year anniversary thereof, subject to earlier termination as provided in Section 2.2 hereof or extension by mutual agreement.

2.2 **Termination.** This agreement may be terminated in accordance with the following provisions:

(a) Any party may terminate this agreement solely as it applies to services provided or received between itself and another party by giving notice in writing to such other party should an event of Force Majeure (as defined in Section 3.1) continue for more than ninety (90) consecutive calendar days;

(b) Any party may terminate this agreement solely as it applies to services provided or received between itself and another party by giving notice in writing to the other party in the event such other party is in material breach of this agreement and shall have failed to cure such breach within thirty (30) calendar days of receipt of written notice thereof from the non-breaching party;

(c) Any party may terminate this agreement solely as it applies to services provided or received between itself and another party by giving ninety (90) calendar days written notice to such other party; or

(d) Any two parties hereto may terminate this agreement solely as it applies to services provided or received between such parties with the mutual written consent of such parties.

2.3 **Rights and Obligations on Termination.** In the event of the termination of this agreement pursuant to Section 2.2, solely as it applies to services provided or received between such parties, a Provider will have the right to terminate any or all Services provided to a Recipient. Such Recipient shall bear sole responsibility for obtaining replacement services, and such Provider shall bear no liability for such Recipient's failure to obtain such service or for any difficulties in transitioning from the Services to such replacement service.

## ARTICLE 3.

### FORCE MAJEURE

3.1 **Definition.** "Force Majeure" means any event or condition, not existing as of the date of this agreement and not reasonably within the control of either party, which prevents in whole or in material part the performance by a Provider of its obligations hereunder or which renders the performance of such obligations so difficult or costly as to make such performance commercially unreasonable. Without limiting the foregoing, the following, without limitation, will constitute events or conditions of

Force Majeure: acts of state or governmental action, riots, disturbance, war, acts of terrorism, strikes, labor slowdowns, prolonged shortage of energy supplies, epidemics, fire, flood, hurricane, typhoon, earthquake and explosion.

3.2 **Notice.** Upon giving written notice to a Recipient, the Provider being affected by an event of Force Majeure will be released without any liability on its part from the performance of its obligations under this agreement, but, subject to Section 2.2, only to the extent and only for the period that its performance of such obligations is prevented by the event of Force Majeure. Such notice must include a description of the nature of the event of Force Majeure, its cause and to the extent known its likely consequences. Such Provider will promptly notify the applicable Recipient of the termination of such event.

#### **ARTICLE 4.**

#### **INDEMNIFICATION**

Each Recipient severally and not jointly agrees to protect, defend, hold harmless and indemnify each Provider severally and not jointly and its successors, assigns, directors, officers, members, employees and agents (collectively, the “Provider Representatives”), from and against any and all claims, demands, actions, liabilities, damages, losses, fines, penalties, costs and expenses, including reasonable attorneys’ fees (collectively referred to as “Claims”), actually or allegedly, directly or indirectly, arising out of or related to any actions taken or omitted to be taken by such Provider or any of such Provider Representatives in connection with the performance of any of the Services to be provided by such Provider to such Recipient hereunder, other than Claims that are the direct result of bad faith, gross negligence or willful misconduct of such Provider or such Provider’s Representative. Notwithstanding the foregoing, no Recipient shall be liable for any special, indirect, consequential or punitive damages in connection with any Claim even if such Recipient has been advised of the possibility of such damages.

#### **ARTICLE 5.**

#### **CONFIDENTIALITY**

5.1 **Definition.** In connection with the Services to be performed hereunder, a Recipient may provide to a Provider information about it, the funds, accounts or clients to which such Recipient provides investment management or advisory services, as applicable, their investors or other third parties that is confidential or proprietary in nature (the “Confidential Information”), which may include, but is not limited to, information of a technical, administrative and/or financial nature relating to the business operations of such Recipient. The Recipient shall, except to the extent necessary for the Services, not disclose to the Provider Confidential Information about any issuer of securities to the public in the United States. Notwithstanding the foregoing, with respect to any Provider, Confidential Information shall not include information that: (a) has come into the public domain through no breach of this Article 5 by such Provider or any related Provider Representative; (b) is or becomes available to such Provider from any third party not known to be breaching an obligation of confidentiality to the Recipient; or (c) is independently developed by such Provider without reference to or use of the Confidential Information of the Recipient.

5.2 **Use and Protection of Confidential Information.** Each Provider severally and not jointly, on behalf of itself and its Provider Representatives, agrees that the Confidential Information shall

be kept confidential and, except with the prior written consent of the applicable Recipient, shall not disclose to any third party, including to any other Recipient, any of the Confidential Information disclosed to such Provider or any Provider Representative hereunder in any manner whatsoever, except as needed to Provider Representatives who are subject to confidentiality obligations substantially similar to those set forth herein and who have a reasonable need to know such Confidential Information in order to provide the Services under this agreement. This Article 5 shall terminate as between any two parties two years following termination of this agreement between such two parties.

5.3 **Legally Compelled or Requested Disclosure.** If a Provider or a Provider Representative is requested or required (in either case by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, such Provider agrees to the extent permissible to provide the applicable Recipient with prompt notice of each such request, to the extent practicable, so that the Recipient may seek an appropriate protective order or waive such Provider's compliance with the provisions of this agreement. If, absent the entry of a protective order or the receipt of a waiver under this agreement, any Provider or its Provider Representative, as the case may be, on the advice of its counsel, is legally compelled to disclose such information, such Provider or Provider Representative, as the case may be, may disclose such information to the persons and to the extent required without liability under this agreement, and the Provider agrees to cooperate with the Recipient's efforts to obtain reliable assurances that confidential treatment will be accorded any Confidential Information so furnished. For the avoidance of doubt, the immediately preceding sentence shall not require any Provider to take any action that would cause it to incur more than *de minimis* cost or expense unless the applicable Recipient agrees to advance or reimburse the Provider for such cost and expense. In addition, a Provider may also disclose its business records (including documents including Confidential Information) to its financial regulatory authorities without notice to the Recipient in connection with customary examinations and inquiries with respect to its business.

5.4 **Return or Destruction of Confidential Information.** Upon demand by a Recipient at any time, or upon expiration or termination of this agreement with respect to the Services, the applicable Provider agrees promptly to, and to cause each of its Provider Representatives to, return or destroy, at the Recipient's option, all Confidential Information, provided that the Provider may maintain such Confidential Information in accordance with its internal document retention policies.

## **ARTICLE 6.**

### **MISCELLANEOUS**

6.1 **Notices.** All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made when delivered in person or when transmitted by facsimile, or one business day after having been dispatched by a nationally recognized overnight courier service to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 6.1):

If to Advisory, addressed to:

Moelis & Company Group LP  
399 Park Avenue, 5<sup>th</sup> Floor

New York, NY 10022-8604  
Attention: Osamu Watanabe  
Email: osamu.watanabe@moelis.com

If to Gracie, addressed to:

P&S Credit Management, L.P.  
757 Third Avenue, 7<sup>th</sup> Floor  
New York, NY 10017  
Attention: Sam Konz  
Email: konz@graciecap.com

If to Freeport, addressed to:

Freeport Financial Partners LLC  
200 South Wacker Drive, Suite 750  
Chicago, IL 60606  
Attention: Joseph Walker  
Email: jvwalker@freeportfinancial.com

If to Steele Creek, addressed to:

Steele Creek Investment Management LLC  
201 S. College Street, Suite 1690  
Charlotte, North Carolina 28244  
Attention: Glenn Duffy  
Email: glenn.duffy@steelecreek.com

If to Asset Management, addressed to:

Moelis Asset Management LP  
112W 34th Street, 17th Floor  
New York, NY 10001  
Attention: Marie Bober  
Email: Marie.Bober@moelisam.com

6.2 **Independent Contracting Parties.** The parties hereto expressly acknowledge that no employment, partnership or joint venture relationship is created by this agreement, and hereby agree as follows:

(a) Each party at all times during the term of this agreement shall be an independent contracting party;

(b) For purposes of the Services to be performed under this agreement, except in the case of dual employees of Advisory and Asset Management, no Provider nor anyone employed by or acting for or on behalf of any Provider shall be construed as an employee of any Recipient, and no Recipient shall be liable for employment or withholding taxes respecting any Provider or any employee of any Provider, or any employee benefits therefor.

6.3 **Cooperation.** The parties will each use good faith efforts to reasonably cooperate with each other in all matters relating to the provision and receipt of the Services. Such cooperation shall include the applicable Recipient obtaining all Recipient-required consents, licenses or approvals necessary to permit a Provider to perform its obligations hereunder; Recipient agrees to reasonably cooperate with assisting the Provider obtaining all Provider-required consents, licenses or approvals. The parties will, for a period of five (5) years after the termination of this agreement, maintain information relating to the Services and cooperate with each other in making such information available as needed, subject to appropriate confidentiality requirements, in the event of any audit, investigation or litigation.

6.4 **Assignment.** No party has the right to, directly or indirectly, in whole or in part, assign, delegate, convey or otherwise transfer, whether voluntarily, involuntarily or by operation of law, its rights and obligations under this agreement, except with the prior written approval of the other party or parties as applicable. Notwithstanding the foregoing, any party may assign, delegate, convey or otherwise transfer its own rights and obligations under this agreement without obtaining the prior written approval of any other party to a successor by merger, consolidation or similar business combination or to a purchaser in connection with the sale of all or substantially all of such party's assets. Any action prohibited by this Section 6.4 will be null and void.

6.5 **Amendment; Waiver.** Neither this agreement nor any provision hereof may be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument duly executed by the applicable parties hereto. No failure or delay by a party to take any action or assert any right or remedy hereunder or to enforce strict compliance with any provision hereof will be deemed to be a waiver of, or estoppel with respect to, such right, remedy or noncompliance in the event of the continuation or repetition of the circumstances giving rise to such right, remedy or noncompliance. No waiver shall be effective unless given in a duly executed written instrument.

6.6 **Survival of Provisions.** The rights, remedies, agreements, obligations and covenants of each of the parties contained in or made pursuant to this agreement which by their terms extend beyond the termination of this agreement, including, without limitation, Article 4 (relating to indemnification) and Article 5 (relating to confidentiality), will survive the termination of this agreement and will remain in full force and effect.

6.7 **Severability.** Any term or provision of this agreement that is held by a court of competent jurisdiction to be invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid, void or unenforceable, the parties hereto agree that the court making such determination, to the greatest extent legally permissible, shall have the power to reduce or alter the term or provision, to delete specific words or phrases, or to replace any invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intent of the invalid, void or unenforceable term or provision.

6.8 **Entire Agreement.** This agreement and the Schedules hereto constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and undertakings, both written and oral, by and among the parties with respect to the subject matter hereof.

6.9 **Governing Law; Non-Binding Mediation; Jurisdiction.** This agreement shall be governed by, and construed in accordance with, the laws of the State of New York (without regard to the laws of conflict of any jurisdiction). Any dispute, controversy or claim arising out of or in connection with this Agreement, or the interpretation, breach, termination or validity thereof ("Dispute") shall be finally resolved by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect (the "Rules"), except as modified herein and such arbitration shall be administered by the AAA. The place of arbitration shall be New York, New York. There shall be one arbitrator who shall be agreed upon by the parties within twenty (20) days of receipt by respondent of a copy of the demand for arbitration. If any arbitrator is not appointed within the time limit provided herein, such arbitrator shall be appointed by the AAA in accordance with the listing, striking and ranking procedure in the Rules, with each party being given a limited number of strikes, except for cause. Any arbitrator appointed by the AAA shall be a retired judge or a practicing attorney with no less than fifteen years of experience with corporate and financial matters and an experienced arbitrator. In rendering an award, the arbitrator shall be required to follow the laws of the state of New York. The award shall be in writing and shall briefly state the findings of fact and conclusions of law on which it is based. The arbitrator shall not be permitted to award punitive, multiple or other non-compensatory damages. The award shall be final and binding upon the parties and shall be the sole and exclusive remedy between the parties regarding any claims, counterclaims, issues or accounting presented to the arbitrator. Judgment upon the award may be entered in any court having jurisdiction over any party or any of its assets. Any costs or fees (including attorneys' fees and expenses) incident to enforcing the award shall be charged against the party resisting such enforcement. All Disputes shall be resolved in a confidential manner. The arbitrator shall agree to hold any information received during the arbitration in the strictest of confidence and shall not disclose to any non-party the existence, contents or results of the arbitration or any other information about such arbitration. The parties to the arbitration shall not disclose any information about the evidence adduced or the documents produced by the other party in the arbitration proceedings or about the existence, contents or results of the proceeding except as may be required by law, regulatory or governmental authority or as may be necessary in an action in aid of arbitration or for enforcement of an arbitral award. Before making any disclosure permitted by the preceding sentence (other than private disclosure to financial regulatory authorities), the party intending to make such disclosure shall use reasonable efforts to give the other party reasonable written notice of the intended disclosure and afford the other party a reasonable opportunity to protect its interests. Barring extraordinary circumstances (as determined in the sole discretion of the arbitrator), discovery shall be limited to pre-hearing disclosure of documents that each side will present in support of its case, and non-privileged documents essential to a matter of import in the proceeding for which a party has demonstrated a substantial need. The parties agree that they will produce to each other all such requested non-privileged documents, except documents objected to and with respect to which a ruling has been or shall be sought from the arbitrator. There will be no depositions.

6.10 **Counterparts; Headings.** This agreement may be executed and delivered (including by facsimile or PDF transmission) in one or more counterparts, and by the different parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. The headings of the sections and articles of this agreement are inserted for convenience only and do not constitute a substantive part hereof.

*[The remainder of this page is intentionally left blank.]*

**IN WITNESS WHEREOF**, the parties have caused this agreement to be duly executed by their authorized representatives as of the date first above written.

**MOELIS & COMPANY GROUP LP**

a Delaware limited partnership

By: Moelis & Company Group GP LLC, its General Partner

By: /s/ Osamu Watanabe By:

Name: Osamu Watanabe

Title: General Counsel

**P&S CREDIT MANAGEMENT L.P.,**

a Delaware limited partnership

By: P&S Credit Partners, LLC,

its General Partner

By: /s/ James Palmisciano By:

Name: James Palmisciano

Title: Chief Investment Officer

**FREEMPORT FINANCIAL PARTNERS LLC**

a Delaware limited liability company

By: /s/ Joseph Walker By:

Name: Joseph Walker

Title: Managing Director

**STEELE CREEK INVESTMENT MANAGEMENT LLC, a Delaware**

limited liability company

**MOELIS ASSET MANAGEMENT LP,**

a Delaware limited partnership

By: /s/ Glenn Duffy By:

Name: Glenn Duffy

Title: Chief Investment Officer

By: /s/ Chris Ryan By:

Name: Chris Ryan

Title: Managing Director

## **SCHEDULE A-1 – ADVISORY SERVICES PROVIDED**

This Schedule A outlines the services to be provided by Advisory to the following Recipients during the term of the agreement.

### **1) Gracie Asset Management**

- Management Infrastructure Support
  - Human Capital Management

### **2) Freeport Financial**

- Management Infrastructure Support
  - Accounts Payable
  - Tax Compliance Support
  - Human Capital Management
  - Legal Compliance

### **3) Steele Creek**

- Management Infrastructure Support
  - Accounts Payable
  - Tax Compliance Support
  - Human Capital Management

### **4) Asset Management**

- Management Infrastructure Support
  - Accounts Payable
  - Tax Compliance Support
  - Legal Support
  - Concur T&E
  - Human Capital Management

**SCHEDULE A-2 –SERVICES PROVIDED BY ASSET MANAGEMENT TO ADVISORY**

- General Management Support Services

## SCHEDULE B – FEE METHODOLOGY

This Schedule B outlines the methodology used to determine the fees to be paid for Services provided during the term of the agreement.

All fees are billed and payable quarterly in arrears. The fees for any calendar quarter during which the Provider is engaged in providing the Services for less than a full quarter shall be determined on a pro rata basis. Recipient shall pay to Provider such fee in cash within ten days after the last business day of the calendar quarter.

	Gracie	Freeport	MAM	Steele Creek	Total Asset Management
Accounts Payable	Fixed quarterly fee based on estimated compensation of services for each business.				
Concur T&E	Fixed quarterly fee based on estimated compensation cost of services.				
Tax Compliance Support	Fixed quarterly fee based on estimated compensation of services for each business.				
Legal Support	Fixed quarterly fee based on estimated compensation cost of services.				
Legal Compliance	Fixed quarterly fee based on estimated compensation of services for each business.				
Human Capital Management	Fixed quarterly fee based on estimated compensation cost of services. Allocated to each business based on headcount.				
Recipient Services to Provider	Variable fee for support services provided by Asset Management to Advisory to be mutually agreed.				

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### Section 3: EX-21.1 (EX-21.1)

Exhibit 21.1

#### SUBSIDIARIES OF REGISTRANT

NAME OF SUBSIDIARY	COUNTRY OF ORGANIZATION
Moelis & Company LLC	U.S.
Moelis & Company Group GP LLC	U.S.
Moelis & Company Group LP	U.S.
Moelis & Company International Holdings LLC	U.S.
Moelis & Company Consulting (Beijing) Company Limited	Beijing
Moelis & Company Assessoria Financeira Ltda.	Brazil
Moelis & Company UK LLP, DIFC Branch	Dubai
Moelis & Company UK LLP, French Branch	France
Moelis & Company Europe Limited, Frankfurt am Main Branch	Germany
Moelis & Company Germany GmbH	Germany
Moelis & Company Asia Limited	Hong Kong
Moelis & Company India Private Limited	Mumbai
Moelis & Company Netherlands BV	Netherlands
Moelis & Company Europe Limited	United Kingdom
Moelis & Company UK Holdings B Limited	United Kingdom
Moelis & Company UK Holdings C Limited	United Kingdom
Moelis & Company UK LLP	United Kingdom

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### Section 4: EX-23.1 (EX-23.1)

Exhibit 23.1

#### CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Nos. 333-197955, 333-202355, 333-210179, 333-216339, 333-223323, and 333-229928 on Form S-8, Registration Statement No. 333-221743 on Form S-3ASR, and Registration Statement Nos. 333-203499 and 333-214803 on Form S-3, of our report dated February 26, 2020, relating to (1) the consolidated financial statements and financial statement schedule of Moelis & Company and subsidiaries (the "Company"), and (2) the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2019.

/s/ DELOITTE & TOUCHE LLP

New York, New York

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## Section 5: EX-31.1 (EX-31.1)

Exhibit 31.1

### CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth Moelis, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ending December 31, 2019 of Moelis & Company as filed with the Securities and Exchange Commission on the date hereof;
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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the above 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 changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 to the audit committee of the registrant's board of directors:
  - 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.

February 26, 2020

/s/ KENNETH MOELIS

Kenneth Moelis

Chief Executive Officer

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## Section 6: EX-31.2 (EX-31.2)

Exhibit 31.2

### CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph Simon, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ending December 31, 2019 of Moelis & Company as filed with the Securities and Exchange Commission on the date hereof;
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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the above 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 changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 to the audit committee of the registrant's board of directors:
- 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.

February 26, 2020

/s/ JOSEPH SIMON

Joseph Simon

Chief Financial Officer

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## Section 7: EX-32.1 (EX-32.1)

Exhibit 32.1

### CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Kenneth Moelis, Chief Executive Officer of Moelis & Company (the "Company"), certifies with respect to the Annual Report of the Company on Form 10-K for the annual period ended December 31, 2019 (the "Report") that, to the best of his 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.

February 26, 2020

/s/ KENNETH MOELIS

Kenneth Moelis

Chief Executive Officer

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## Section 8: EX-32.2 (EX-32.2)

Exhibit 32.2

### CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Joseph Simon, Chief Financial Officer of Moelis & Company (the "Company"), certifies with respect to the Annual Report of the Company on Form 10-K for the annual period ended December 31, 2019 (the "Report") that, to the best of his 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.

February 26, 2020

/s/ JOSEPH SIMON

Joseph Simon

Chief Financial Officer

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