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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

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	Trading Symbol	Name of Exchange on which registered
Class A Common Stock	MC	New York Stock Exchange (NYSE)

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

As of October 14, 2021, there were 60,964,311 shares of Class A common stock, par value \$0.01 per share, and 4,845,457 shares of Class B common stock, par value \$0.01 per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Financial Statements (Unaudited)

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Moelis & Company

Condensed Consolidated Statements of Financial Condition

(Unaudited)

(dollars in thousands, except per share amounts)

	September 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 278,701	\$ 202,477
Restricted cash	1,032	807
Receivables:		
Accounts receivable, net of allowance for credit losses of \$2,768 and \$3,775 as of September 30, 2021 and December 31, 2020, respectively	100,783	89,297
Accrued and other receivables	32,268	11,916
Total receivables	133,051	101,213
Deferred compensation	13,840	12,004
Investments	338,628	211,826
Right-of-use assets	163,902	177,069
Equipment and leasehold improvements, net	56,836	49,977
Deferred tax assets	417,132	424,345
Prepaid expenses and other assets	16,408	16,726
Total assets	<u>\$ 1,419,530</u>	<u>\$ 1,196,444</u>
Liabilities and Equity		
Compensation payable	\$ 389,895	\$ 220,058
Accounts payable, accrued expenses and other liabilities	21,019	25,026
Amount due pursuant to tax receivable agreement	307,603	307,581
Deferred revenue	3,914	2,692
Lease liabilities	191,207	196,614
Total liabilities	913,638	751,971
Commitments and Contingencies (See Note 11)		
Class A common stock, par value \$0.01 per share (1,000,000,000 shares authorized, 66,771,423 issued and 60,964,311 outstanding at September 30, 2021; 1,000,000,000 authorized, 61,986,927 issued and 58,027,844 outstanding at December 31, 2020)	667	620
Class B common stock, par value \$0.01 per share (1,000,000,000 shares authorized, 4,845,457 issued and outstanding at September 30, 2021; 1,000,000,000 authorized, 5,948,750 issued and outstanding at December 31, 2020)	48	59
Treasury stock, at cost; 5,807,112 and 3,959,083 shares as of September 30, 2021 and December 31, 2020, respectively	(252,192)	(152,170)
Additional paid-in-capital	1,184,795	1,052,322
Retained earnings (accumulated deficit)	(414,851)	(420,682)
Accumulated other comprehensive income (loss)	(1,691)	(201)
Total Moelis & Company equity	516,776	479,948
Noncontrolling interests	(10,884)	(35,475)
Total equity	505,892	444,473
Total liabilities and equity	<u>\$ 1,419,530</u>	<u>\$ 1,196,444</u>

See notes to the condensed consolidated financial statements (unaudited).

Moelis & Company

Condensed Consolidated Statements of Operations

(Unaudited)

(dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 490,821	\$ 207,604	\$ 1,115,594	\$ 521,248
Expenses				
Compensation and benefits	307,590	127,148	678,106	371,884
Occupancy	5,842	7,660	20,226	22,564
Professional fees	4,771	4,952	16,572	14,383
Communication, technology and information services	9,139	8,162	26,014	24,117
Travel and related expenses	4,469	1,662	8,949	11,154
Depreciation and amortization	1,947	941	5,033	3,216
Other expenses	4,915	5,121	17,885	14,682
Total expenses	338,673	155,646	772,785	462,000
Operating income (loss)	152,148	51,958	342,809	59,248
Other income and (expenses)	30,435	(1,631)	36,376	(6,568)
Income (loss) before income taxes	182,583	50,327	379,185	52,680
Provision (benefit) for income taxes	42,119	8,534	69,721	(10,195)
Net income (loss)	140,464	41,793	309,464	62,875
Net income (loss) attributable to noncontrolling interests	20,169	8,842	43,299	10,526
Net income (loss) attributable to Moelis & Company	<u>\$ 120,295</u>	<u>\$ 32,951</u>	<u>\$ 266,165</u>	<u>\$ 52,349</u>
Weighted-average shares of Class A common stock outstanding				
Basic	<u>63,024,943</u>	<u>56,803,430</u>	<u>62,493,293</u>	<u>55,263,689</u>
Diluted	<u>68,274,912</u>	<u>60,668,084</u>	<u>67,631,068</u>	<u>59,241,139</u>
Net income (loss) per share attributable to holders of shares of Class A common stock				
Basic	<u>\$ 1.91</u>	<u>\$ 0.58</u>	<u>\$ 4.26</u>	<u>\$ 0.95</u>
Diluted	<u>\$ 1.76</u>	<u>\$ 0.54</u>	<u>\$ 3.94</u>	<u>\$ 0.88</u>

See notes to the condensed consolidated financial statements (unaudited).

Moelis & Company

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 140,464	\$ 41,793	\$ 309,464	\$ 62,875
Foreign currency translation adjustment, net of tax	(2,983)	(499)	(1,685)	(2,224)
Other comprehensive income (loss)	(2,983)	(499)	(1,685)	(2,224)
Comprehensive income (loss)	137,481	41,294	307,779	60,651
Less: Comprehensive income (loss) attributable to noncontrolling interests	19,831	8,752	43,104	10,093
Comprehensive income (loss) attributable to Moelis & Company	<u>\$ 117,650</u>	<u>\$ 32,542</u>	<u>\$ 264,675</u>	<u>\$ 50,558</u>

See notes to the condensed consolidated financial statements (unaudited).

Moelis & Company

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(dollars in thousands)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities		
Net income (loss)	\$ 309,464	\$ 62,875
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Bad debt expense	1,733	2,808
Depreciation and amortization	5,033	3,216
Equity-based compensation	108,824	97,724
Deferred tax provision	28,363	(7,111)
Gain on equity method investment	(22,508)	—
Other	(11,442)	8,509
Changes in assets and liabilities:		
Accounts receivable	(28,339)	(23,532)
Accrued and other receivables	(19,393)	(2,589)
Prepaid expenses and other assets	(922)	1,190
Deferred compensation	(1,836)	(1,585)
Compensation payable	170,149	(45,715)
Accounts payable, accrued expenses and other liabilities	3,446	1,245
Deferred revenue	1,209	4,464
Dividends received	3,356	1,942
Net cash provided by (used in) operating activities	547,137	103,441
Cash flows from investing activities		
Purchases of investments	(380,496)	(259,965)
Proceeds from sales of investments	270,083	252,484
Notes issued to employees	—	(200)
Note payments received from employees	70	—
Purchases of equipment and leasehold improvements	(11,890)	(31,209)
Proceeds from partial sale of equity method investment	29,164	—
Net cash provided by (used in) investing activities	(93,069)	(38,890)
Cash flows from financing activities		
Dividends and tax distributions	(259,589)	(122,871)
Payments under tax receivable agreement	(16,336)	—
Proceeds from exercise of stock options	—	11,923
Treasury stock purchases	(100,022)	(33,354)
Net cash provided by (used in) financing activities	(375,947)	(144,302)
Effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash	(1,672)	(2,672)
Net increase (decrease) in cash, cash equivalents, and restricted cash	76,449	(82,423)
Cash, cash equivalents, and restricted cash, beginning of period	203,284	168,572
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 279,733</u>	<u>\$ 86,149</u>
Supplemental cash flow disclosure:		
Cash paid during the period for:		
Income taxes	\$ 48,532	\$ 1,914
Other non-cash activity		
Non-cash settlement of accounts receivable	\$ 15,125	\$ —
Cumulative effect adjustment upon adoption of ASU 2016-13	\$ —	\$ 364
Dividend equivalents issued	\$ 33,293	\$ 17,021
Class A Partnership Units or other equity converted into Class A Common Stock	\$ 4,193	\$ 5,968
Forfeiture of fully-vested Group LP units or other equity units	\$ 25	\$ 96

See notes to the condensed consolidated financial statements (unaudited).

Moelis & Company

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(dollars in thousands, except share amounts)

	Class A Common Stock	Shares Class B Common Stock	Treasury Stock	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
Balance as of January 1, 2021	61,986,927	5,948,750	(3,959,083) \$	620 \$	59 \$	(152,170) \$	1,052,322	(420,682) \$	(201) \$	(35,475) \$	444,473
Net income (loss)	—	—	—	—	—	—	—	66,529	—	9,269	75,798
Equity-based compensation	3,612,341	—	—	36	—	—	41,508	—	—	9,419	50,963
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(655)	(89)	(744)
Dividends declared (\$0.55 per share of Class A common stock) and tax distributions	—	—	—	—	—	—	5,131	(39,013)	—	(5,803)	(39,685)
Treasury Stock Purchases	—	—	(1,363,934)	—	—	(74,211)	—	—	—	—	(74,211)
Equity-based payments to non-employees	—	—	—	—	—	—	108	—	—	—	108
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	1,049,293	(1,049,293)	—	10	(10)	—	2,161	—	—	1,742	3,903
Other	—	—	—	—	—	—	(25)	—	—	—	(25)
Balance as of March 31, 2021	66,648,561	4,899,457	(5,323,017) \$	666 \$	49 \$	(226,381) \$	1,101,205	(393,166) \$	(856) \$	(20,937) \$	460,580
Net income (loss)	—	—	—	—	—	—	—	79,341	—	13,861	93,202
Equity-based compensation	45,056	—	—	—	—	—	27,699	—	—	1,342	29,041
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	1,810	232	2,042
Dividends declared (\$2.55 per share of Class A Common Stock) and tax distributions	—	—	—	—	—	—	23,078	(179,660)	—	(22,067)	(178,649)
Treasury Stock Purchases	—	—	(409,370)	—	—	(21,712)	—	—	—	—	(21,712)
Equity-based payments to non-employees	—	—	—	—	—	—	83	—	—	—	83
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	47,238	(47,238)	—	1	—	—	39	—	—	166	206
Balance as of June 30, 2021	66,740,855	4,852,219	(5,732,387) \$	667 \$	49 \$	(248,093) \$	1,152,104	(493,485) \$	954 \$	(27,403) \$	384,793
Net income (loss)	—	—	—	—	—	—	—	120,295	—	20,169	140,464
Equity-based compensation	23,806	—	—	—	—	—	27,463	—	—	1,357	28,820
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(2,645)	(338)	(2,983)
Dividends declared (\$0.60 per share of Class A Common Stock) and tax distributions	—	—	—	—	—	—	5,084	(41,661)	—	(4,678)	(41,255)
Treasury Stock Purchases	—	—	(74,725)	—	—	(4,099)	—	—	—	—	(4,099)
Equity-based payments to non-employees	—	—	—	—	—	—	68	—	—	—	68
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	6,762	(6,762)	—	—	(1)	—	76	—	—	9	84
Balance as of September 30, 2021	66,771,423	4,845,457	(5,807,112) \$	667 \$	48 \$	(252,192) \$	1,184,795	(414,851) \$	(1,691) \$	(10,884) \$	505,892

See notes to the condensed consolidated financial statements (unaudited).

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(dollars in thousands, except share amounts)

	Class A Common Stock	Shares Class B Common Stock	Treasury Stock	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
Balance as of January 1, 2020	52,773,617	10,397,915	(2,757,558) \$	528 \$	104 \$	(107,836) \$	872,791 \$	(324,192) \$	1,432 \$	(49,000) \$	393,827
Cumulative effect adjustment upon adoption of ASU 2016-13	—	—	—	—	—	—	—	(364)	—	—	(364)
Balance as of January 1, 2020, as adjusted	52,773,617	10,397,915	(2,757,558)	528	104	(107,836)	872,791	(324,556)	1,432	(49,000)	393,463
Net income (loss)	—	—	—	—	—	—	—	25,130	—	4,996	30,126
Equity-based compensation	3,581,294	—	—	36	—	—	38,189	—	—	30	38,255
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(1,304)	(326)	(1,630)
Dividends declared (\$1.26 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	12,125	(79,391)	—	(21,423)	(88,689)
Treasury Stock Purchases	—	—	(869,779)	—	—	(31,636)	—	—	—	—	(31,636)
Exercise of Stock options	721,484	—	—	7	—	—	11,812	—	—	—	11,819
Equity-based payments to non-employees	—	—	—	—	—	—	158	—	—	—	158
Other	—	—	—	—	—	—	(1,981)	—	—	2,671	690
Balance as of March 31, 2020	57,076,395	10,397,915	(3,627,337) \$	571 \$	104 \$	(139,472) \$	933,094 \$	(378,817) \$	128 \$	(63,052) \$	352,556
Net income (loss)	—	—	—	—	—	—	—	(5,732)	—	(3,312)	(9,044)
Equity-based compensation	72,616	—	—	1	—	—	29,369	—	—	9	29,379
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(78)	(17)	(95)
Dividends declared (\$0.255 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	2,496	(16,588)	—	(2,989)	(17,081)
Treasury Stock Purchases	—	—	(24,619)	—	—	(766)	—	—	—	—	(766)
Exercise of Stock options	6,500	—	—	—	—	—	104	—	—	—	104
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	1,742,406	(1,742,406)	—	17	(17)	—	(4,388)	—	—	9,327	4,939
Equity-based payments to non-employees	—	—	—	—	—	—	651	—	—	—	651
Balance as of June 30, 2020	58,897,917	8,655,509	(3,651,956) \$	589 \$	87 \$	(140,238) \$	961,326 \$	(401,137) \$	50 \$	(60,034) \$	360,643
Net income (loss)	—	—	—	—	—	—	—	32,951	—	8,842	41,793
Equity-based compensation	82,449	—	—	1	—	—	30,092	—	—	—	30,093
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(409)	(90)	(499)
Dividends declared (\$0.255 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	2,400	(16,545)	—	(2,956)	(17,101)
Treasury Stock Purchases	—	—	(31,459)	—	—	(952)	—	—	—	—	(952)
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	164,571	(164,571)	—	1	(1)	—	(553)	—	—	796	243
Equity-based payments to non-employees	—	—	—	—	—	—	423	—	—	—	423
Balance as of September 30, 2020	59,144,937	8,490,938	(3,683,415) \$	591 \$	86 \$	(141,190) \$	993,688 \$	(384,731) \$	(359) \$	(53,442) \$	414,643

See notes to the condensed consolidated financial statements (unaudited).

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 Initial Public Offering (“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 condensed 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 Israel Ltd., a limited company incorporated in Israel.
- 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 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. In addition to Amsterdam, Moelis Netherlands maintains operations in Paris, France through a wholly owned subsidiary, Moelis & Company Netherlands B.V. French Branch
 - Moelis & Company Europe 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 MA Financial Group Limited (previously known as Moelis Australia Limited) (“MA Financial”), a public company listed on the Australian Securities Exchange

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The Company prepared the accompanying condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). As permitted by the interim reporting rules and regulations set forth by the SEC, the condensed consolidated financial statements presented exclude certain financial information and footnote disclosures normally included in audited financial statements prepared in accordance with U.S. GAAP. In the opinion of the Company’s management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary to fairly present the accompanying unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020.

Consolidation—The Company’s policy is to consolidate (i) entities 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 condensed 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 condensed consolidated financial statements, management makes estimates and assumptions regarding:

- the adequacy of the allowance for credit losses;
- 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; 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 and money market 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 September 30, 2021 and 2020, is presented below.

	September 30,	
	2021	2020
Cash	\$ 81,608	\$ 46,026
Cash equivalents	197,093	39,487
Restricted cash	1,032	636
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 279,733</u>	<u>\$ 86,149</u>

Additionally, as of December 31, 2020, the Company held cash of \$83,472 and cash equivalents of \$119,005.

Receivables—The accompanying condensed consolidated statements of financial condition present accounts receivable balances net of allowance for credit losses based on the Company’s assessment of the collectability of customer accounts.

Included in the accounts receivable balances at September 30, 2021 and December 31, 2020 were \$23,917 and \$19,603 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 \$207 and \$182 for the three months ended September 30, 2021 and 2020, respectively, and \$587 and \$568 for the nine months ended September 30, 2021 and 2020, respectively.

The Company maintains an allowance for credit losses that, in management’s opinion, provides for an adequate reserve to cover losses that may be incurred. For purposes of determining appropriate allowances, the Company stratifies its population of accounts receivable into two categories, one for short-term receivables and a second for private funds advisory receivables. Each population is separately evaluated using an aging method that results in a percentage reserve based on the age of the receivable, in addition to considerations of historical charge-offs and current economic conditions.

After concluding that a reserved accounts receivable is no longer collectible, the Company will charge-off the receivable. This has the effect of reducing both the gross receivable and the allowance for credit losses. If a reserved accounts receivable is subsequently collected, such recoveries reduce the gross receivable and the allowance for credit losses and is a reduction of bad debt expense, which is recorded within other expenses on the condensed consolidated statement of operations. The combination of recoveries and the provision for credit losses of a reported period comprise the Company’s bad debt expense.

On January 1, 2020, the Company adopted Accounting Standards Update No. 2016-13— “Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”) using the modified retrospective method. Upon adoption, a cumulative adjustment was recorded which decreased retained earnings by \$459. The tax effect of this adjustment increased retained earnings by \$95, resulting in a net decrease of \$364 as of January 1, 2020. 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. The Company will recognize its expected credit losses for each reporting period going forward.

The following tables summarize credit loss allowance activity for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Accounts Receivable			Accounts Receivable		
	Short-term Receivables	Private Funds Advisory Receivables	Total	Short-term Receivables	Private Funds Advisory Receivables	Total
Allowance for Credit Losses, beginning balance	\$ 4,048	\$ 306	\$ 4,354	\$ 4,507	\$ 200	\$ 4,707
Charge-offs, foreign currency translation and other adjustments	(2,018)	—	(2,018)	(1,428)	—	(1,428)
Recoveries	(1,884)	(65)	(1,949)	(1,235)	—	(1,235)
Reduction to allowance	(3,902)	(65)	(3,967)	(2,663)	—	(2,663)
Provision for credit losses	2,381	—	2,381	2,473	(6)	2,467
Allowance for credit losses, ending balance	<u>\$ 2,527</u>	<u>\$ 241</u>	<u>\$ 2,768</u>	<u>\$ 4,317</u>	<u>\$ 194</u>	<u>\$ 4,511</u>

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Accounts Receivable			Accounts Receivable		
	Short-term Receivables	Private Funds Advisory Receivables	Total	Short-term Receivables	Private Funds Advisory Receivables	Total
Allowance for Credit Losses, beginning balance	\$ 3,577	\$ 198	\$ 3,775	\$ 4,088	\$ —	\$ 4,088
Adjustment for adoption of ASU 2016-13	—	—	—	260	199	459
Allowance for Credit Losses, adjusted beginning balance	3,577	198	3,775	4,348	199	4,547
Charge-offs, foreign currency translation and other adjustments	(2,740)	—	(2,740)	(2,844)	—	(2,844)
Recoveries	(6,775)	(65)	(6,840)	(2,471)	(26)	(2,497)
Reduction to allowance	(9,515)	(65)	(9,580)	(5,315)	(26)	(5,341)
Provision for credit losses	8,465	108	8,573	5,284	21	5,305
Allowance for credit losses, ending balance	<u>\$ 2,527</u>	<u>\$ 241</u>	<u>\$ 2,768</u>	<u>\$ 4,317</u>	<u>\$ 194</u>	<u>\$ 4,511</u>

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 level of observability) 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 that are significant to the overall fair value measurement 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 that are significant to the overall fair value measurement 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.

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. 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.

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 condensed 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 condensed consolidated statements of operations using the most recently available earnings data at the end of the period.

Investments Held at Cost — Investments without readily determinable fair values are measured at cost, less impairment. If the Company identifies an observable price change in an orderly transaction for an investment held at cost, it will measure the investment at fair value as of the date the observable transaction occurred. The Company shall reassess at each reporting period whether such investments should continue to be measured at cost, less impairment, or another method. Any resulting gain or loss from a change in measurement shall be recorded in other income and expenses on the condensed consolidated statement of operations. Investments held at cost are reported within investments on the condensed consolidated statements of financial condition.

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 condensed 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.

Software — Costs related to implementation of cloud computing arrangements that qualify for capitalization are stated at cost less accumulated amortization within prepaid and other assets on the Company’s condensed consolidated statement of financial condition. Such capitalized costs are amortized using the straight-line method over the term of the cloud computing service contract or another rational basis, beginning when the cloud computing arrangement is substantially complete and ready for its intended use. All costs not directly related to the implementation of cloud computing arrangements, including overhead costs and costs of service agreements, will be expensed in the period they are incurred. The amortization expense of such capitalized costs will be presented under communication, technology and information services on the condensed consolidated statement of operations.

Effective January 1, 2020, the Company adopted Accounting Standards Update No. 2018-15, “Goodwill and Other —Internal Use Software” (“ASU 2018-15”) using a prospective approach. ASU 2018-15 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. See Note 4—Fixed and Intangible Assets below for further details on the Company’s capitalized cloud computing arrangements.

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. Assets that are in development and have not yet been placed in service are generally classified as “Construction in Progress” and are reclassified to the appropriate category when the associated assets are placed in service. Upon retirement or disposal of assets, the cost and related accumulated depreciation or amortization are removed from the condensed consolidated statements of financial condition and any gain or loss is reflected in the condensed 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 condensed 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 condensed 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 condensed 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.

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 based on quoted market prices at the time of grant amortized over the service period required by the award's vesting terms. The Company also recognizes the cost of services received from a nonemployee in exchange for an equity instrument based on the award's grant-date fair value. 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, (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 condensed 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 740-10 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 three and nine months ended September 30, 2021 and 2020, 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 three and nine months ended September 30, 2021 and 2020, no such amounts were recorded.

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

Effective January 1, 2021, the Company adopted Accounting Standards Update No. 2019-12, “Income Taxes” (“ASU 2019-12”). ASU 2019-12 removes certain rule exceptions to simplify accounting for income taxes. ASU 2019-12 has been incorporated into our provision for income taxes calculation and does not have a material impact to our overall income taxes.

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 condensed consolidated statements of operations.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2020, the FASB issued Accounting Standards Update No. 2020-04, “Reference Rate Reform” (“ASU 2020-04”). ASU 2020-04 provides optional guidance for entities that are impacted by interest rate reform. Specifically, ASU 2020-04 allows for contracts under the scope of Topic 310—Receivables to be accounted for prospectively with the updated interest rate, among other specifications for debt, derivative instruments, and other contracts. ASU 2020-04 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early application is permitted. Upon initial evaluation, we do not anticipate any material changes to our condensed consolidated financial statements.

4. FIXED AND INTANGIBLE ASSETS

Equipment and leasehold improvements, net consists of the following:

	September 30, 2021	December 31, 2020
Office equipment	\$ 15,771	\$ 13,267
Furniture and fixtures	14,148	10,409
Leasehold improvements	56,790	36,286
Construction in progress	—	14,943
Total	86,709	74,905
Less accumulated depreciation and amortization	(29,873)	(24,928)
Equipment and leasehold improvements, net	<u>\$ 56,836</u>	<u>\$ 49,977</u>

Depreciation and amortization expenses for fixed assets totaled \$1,947 and \$941 for the three months ended September 30, 2021 and 2020, respectively, and \$5,033 and \$3,216 for the nine months ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, there were \$2,249 of costs capitalized within prepaid expenses and other assets on our condensed consolidated statement of financial position related to the implementation of cloud computing arrangements. The amortization expense of the capitalized costs was \$122 and \$113 for the three months ended September 30, 2021 and 2020, respectively, and \$366 and \$127 for the nine months ended September 30, 2021 and 2020, respectively. The amortization expense was recorded within communication, technology and information services on the condensed consolidated statement of operations.

5. INVESTMENTS

Fair value investments are contained within the balance of investments on the Company's condensed consolidated statements of financial condition. 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 level of observability) 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 that are significant to the overall fair value measurement 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 that are significant to the overall fair value measurement 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.

The estimated fair values of money market securities and U.S. Treasury instruments 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. The Company considers these securities to be risk free and does not reserve for expected credit losses on these treasury investments. 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.

Investments without readily determinable fair values are measured at cost, less impairment. If the Company identifies an observable price change in an orderly transaction for an investment held at cost, it will measure the investment at fair value as of the date the observable transaction occurred. The Company shall reassess at each reporting period whether such investments should continue to be measured at cost or another method. Any resulting gain or loss from a change in measurement shall be recorded in other income and expenses on the condensed consolidated statement of operations. Investments held at cost are reported within investments on the condensed consolidated statements of financial condition.

The Company's financial assets, recorded at fair value on a recurring basis, as of September 30, 2021 have been categorized based upon the fair value hierarchy, described above, as follows:

	Total	Level 1	Level 2	Level 3
Financial assets:				
<i>Included in cash and cash equivalents</i>				
U.S. treasury instruments	\$ 151,992	\$ —	\$ 151,992	\$ —
Money market securities	45,101	—	45,101	—
<i>Investments</i>				
U.S. treasury instruments	279,698	—	279,698	—
Common stock	13,431	13,431	—	—
Interest in sponsor of Atlas Crest I	7,533	—	7,533	—
Total financial assets	\$ 497,755	\$ 13,431	\$ 484,324	\$ —

For the three and nine months ended September 30, 2021, unrealized gains of \$4,899 were recognized in other income and expenses on the condensed consolidated statement of operations related to investments measured at fair value held at the reporting date. The cost basis of

the financial assets recorded at fair value included in investments on the condensed consolidated statement of financial condition was \$295,801 as of September 30, 2021.

The Company made investments in the sponsors (collectively referred to herein as “Atlas Crest Sponsors”) of several Atlas Crest Investment Corp. entities, each a special purpose acquisition company (“SPAC”) (each an “Atlas Crest Entity” and collectively, the “Atlas Crest Entities”). The Company’s Chief Executive Officer, Kenneth Moelis, is the managing member of the Atlas Crest Sponsors and serves as Non-Executive Chairman of the Atlas Crest Entities. The Company does not direct the activities of the Atlas Crest Sponsors or the related SPACs.

On September 16, 2021, Atlas Crest Investment Corp. (“Atlas Crest I”) completed its business combination with Archer Aviation Inc. (“Archer”) and the combined company is now traded on the New York Stock Exchange (NYSE:ACHR). The Company provided services to Atlas Crest I in connection with the business combination, and the Company received as payment for its services (i) cash fees plus (ii) 1,512,500 shares of Archer Class A common stock, which is categorized as level 1 in the fair value hierarchy. In addition, the Company’s interest in the sponsor of Atlas Crest I was measured at a fair value of \$7,533 as of September 30, 2021. The Company’s interest in the sponsor of Atlas Crest I is categorized as level 2 as the significant pricing inputs of the investment are indirectly observable.

Investments in the Atlas Crest Sponsors that do not have readily determinable fair values are measured at cost less impairment, and are included in investments on the condensed consolidated statement of financial condition. As of September 30, 2021, and December 31, 2020, the aggregate investment balance of the Atlas Crest Sponsors was \$3,833 and \$887, respectively.

The Company’s financial assets, recorded at fair value on a recurring basis, as of December 31, 2020 have been categorized based upon the fair value hierarchy described above, as follows:

	Total	Level 1	Level 2	Level 3
Financial assets:				
<i>Included in cash and cash equivalents</i>				
U.S. treasury instruments	\$ 15,599	\$ —	\$ 15,599	\$ —
Money market securities	103,406	—	103,406	—
<i>Investments</i>				
U.S. treasury instruments	172,671	—	172,671	—
Total financial assets	\$ 291,676	\$ —	\$ 291,676	\$ —

For the three and nine months ended September 30, 2020, unrealized losses of \$60 and \$227 were recognized in other income and expenses on the condensed 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 condensed consolidated statement of financial condition was \$172,640 as of December 31, 2020.

Equity-method investments are contained within the balance of investments on the Company’s condensed consolidated statements of financial condition. 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 is listed on the Australian Securities Exchange as MA Financial Group Limited (ASX: MAF). As a result of the offering, the Company’s ownership interest in MA Financial was diluted and continues to be accounted for under the equity method of accounting.

On August 17, 2021 and February 17, 2021, MA Financial declared dividends, of which the Company received \$1,077 and \$2,279 on September 22, 2021 and March 4, 2021, respectively. On February 19, 2020, MA Financial declared a dividend and the Company received \$1,942 on March 4, 2020. The Company accounted for the dividends as a return on investment and reduced the carrying value of the investment in MA Financial by the amount of the dividends received.

During the three and nine months ended September 30, 2021, the Company recognized gains of \$0 and \$2,334, respectively, related to share issuances by MA Financial for an employee compensation plan. The shares were issued at fair values greater than the carrying values of the ownership interests held, resulting in dilution gains, which were recorded in other income on the condensed consolidated statement of operations.

On August 25, 2021, the Company sold 6.0 million shares of MA Financial common stock. This transaction resulted in a gain of \$20,174, recorded in other income and expenses on the condensed consolidated statements of operations. As a result, the Company’s ownership interest in MA Financial was reduced.

The balances of the Company's equity method investment as of September 30, 2021 and December 31, 2020 were \$34,133 and \$38,143, respectively, and are included within investments on the condensed consolidated statements of financial condition. The Company's share of earnings on this investment is recorded in other income and expenses on the condensed consolidated statements of operations.

6. 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 three and nine months ended September 30, 2021 and 2020 are presented below.

(dollars in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>Numerator:</i>				
Net income (loss) attributable to holders of shares of Class A common stock—basic	\$ 120,295	\$ 32,951	\$ 266,165	\$ 52,349
Add (deduct) dilutive effect of:				
Noncontrolling interests related to Class A partnership units	(a)	(a)	(a)	(a)
Net income (loss) attributable to holders of shares of Class A common stock—diluted	<u>\$ 120,295</u>	<u>\$ 32,951</u>	<u>\$ 266,165</u>	<u>\$ 52,349</u>
<i>Denominator:</i>				
Weighted average shares of Class A common stock outstanding—basic	63,024,943	56,803,430	62,493,293	55,263,689
Add (deduct) dilutive effect of:				
Noncontrolling interests related to Class A partnership units	(a)	(a)	(a)	(a)
Weighted average number of incremental shares issuable from unvested RSUs and stock options, as calculated using the treasury stock method	5,249,969 (b)	3,864,654 (b)	5,137,775 (b)	3,977,450 (b)
Weighted average shares of Class A common stock outstanding—diluted	<u>68,274,912</u>	<u>60,668,084</u>	<u>67,631,068</u>	<u>59,241,139</u>
Net income (loss) per share attributable to holders of shares of Class A common stock				
Basic	<u>\$ 1.91</u>	<u>\$ 0.58</u>	<u>\$ 4.26</u>	<u>\$ 0.95</u>
Diluted	<u>\$ 1.76</u>	<u>\$ 0.54</u>	<u>\$ 3.94</u>	<u>\$ 0.88</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 exchange 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 76,077,927 and 71,774,582 for the three months ended September 30, 2021 and 2020, respectively, and 75,560,854 and 71,151,424 for the nine months ended September 30, 2021 and 2020, respectively. 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 three and nine months ended September 30, 2021 and 2020, such exchange is not reflected in diluted net income (loss) per share as the assumed exchange is not dilutive.

(b) 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 for certain periods. During the three months ended September 30, 2021 and 2020, there were 500 and 1,847 RSUs, respectively, that would have been included in the treasury stock method calculation if the effect were dilutive and 437 and 227,126 RSUs for the nine months ended September 30, 2021 and 2020, respectively.

7. EQUITY-BASED COMPENSATION

Pre-IPO Partnership Units

Prior to the Company's IPO, the business operated as a partnership and its ownership structure was comprised of common partners (principally outside investors) holding units and Managing Directors and employees holding units. In connection with the 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.

The Company recognized compensation expenses of \$0 for the three months ended September 30, 2021 and 2020, and \$0 and \$39 for the nine months ended September 30, 2021 and 2020, respectively, in relation to these pre-IPO partnership units.

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 (including partnership interests that are exchangeable into stock upon satisfaction of certain conditions) and cash awards.

Restricted Stock Units (RSUs) and Other Stock-based Awards

Pursuant to the Plan and in connection with the Company's annual compensation process and ongoing hiring process, the Company issues RSUs and other stock-based awards which generally vest over a service life of four to five years. For the three months ended September 30, 2021 and 2020, the Company recognized expense of \$28,820 and \$30,090, respectively, and \$108,824 and \$97,685 for the nine months ended September 30, 2021 and 2020, respectively, in relation to these awards.

The following table summarizes activity related to RSUs and other stock-based awards for the nine months ended September 30, 2021 and 2020.

	RSUs and Other Stock-based Awards			
	2021		2020	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested Balance at January 1,	8,742,695	\$ 41.45	8,414,130	\$ 42.19
Granted	3,807,900	54.80	3,913,960	37.58
Forfeited	(340,419)	46.74	(117,850)	40.00
Vested	(4,007,144)	43.09	(3,201,045)	38.76
Unvested Balance at September 30,	<u>8,203,032</u>	<u>\$ 46.62</u>	<u>9,009,195</u>	<u>\$ 41.35</u>

As of September 30, 2021, the total compensation expense related to unvested RSUs and other stock-based awards not yet recognized was \$159,856. The weighted-average period over which this compensation expense is expected to be recognized at September 30, 2021 is 1.7 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

During the six year life of the options, the Company paid special dividends of \$9.05, in aggregate. 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 \$9.05 from \$25.00 per share to \$15.95 per share.

The following table summarizes activity related to stock options for the nine months ended September 30, 2020:

	Stock Options Outstanding 2020	
	Number Outstanding	Weighted Average Exercise Price Per Share
Outstanding at January 1,	728,534	\$ 15.95
Exercises	(728,534)	15.95
Outstanding at September 30,	—	\$ —

For the three and nine months ended September 30, 2021 and 2020, the Company recognized no expense in relation to these stock options. As of April 2020, no stock options remain outstanding.

Share Repurchase Plan

In February 2019, the Board of Directors authorized the repurchase of up to \$100,000 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. In July 2021, the Board of Directors authorized the repurchase of an additional \$100,000 of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date. The remaining balance of shares authorized for repurchase under the program was \$149,132 as of September 30, 2021.

8. 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 aggregate increase to Class A common stock as a result of such offerings was 24,923,349 shares. The Company did not retain any proceeds from the sale of its Class A common stock.

As of September 30, 2021, there were 66,771,423 shares of Class A common stock issued, 5,807,112 shares of treasury stock, and 60,964,311 shares outstanding, and, as of December 31, 2020, there were 61,986,927 shares of Class A common stock issued, 3,959,083 shares of treasury stock, and 58,027,844 shares outstanding. The changes in Class A common stock are due primarily to the IPO and offering transactions described above, exchanges of Class A partnership units, 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. In connection with the Company's offerings of Class A common stock described above, 24,919,744 shares of Class B common stock were purchased from Partner Holdings at a cost of \$550. 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.

As of September 30, 2021, and December 31, 2020, 4,845,457 and 5,948,750 shares of Class B common stock were issued and outstanding, respectively, due primarily to the IPO and offering transactions, and Class B conversions described above.

Treasury Stock

During the nine months September 30, 2021 and 2020, the Company repurchased 1,848,029 and 925,857 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 \$100,022 and \$33,354, respectively, in the treasury stock balance on the Company's condensed consolidated statements of changes in equity as of September 30, 2021 and 2020.

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 September 30, 2021 and December 31, 2020, partners held 7,801,398 and 8,508,857 Group LP partnership units, respectively, representing an 11% and 13% 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 60,964,311 shares of Class A common stock outstanding at September 30, 2021 (58,027,844 as of December 31, 2020), represents the controlling interest.

9. 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 terminate 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 three months ended September 30, 2021 and 2020, the Company incurred \$324 and \$324 in aircraft lease costs to be paid to Manager, respectively, and \$972 and \$972 for the nine months ended September 30, 2021 and 2020, respectively.

Promissory Notes —As of September 30, 2021, there were \$319 of unsecured promissory notes from employees held by the Company (December 31, 2020: \$389). Any outstanding balances are reflected in accrued and other receivables on the condensed consolidated statements of financial condition. The notes bear fixed interest rates ranging from 3.00% to 4.00%. During each of the nine months ended September 30, 2021 and 2020, the Company received \$70 and \$0 of principal repayments and recognized interest income of \$11 and \$9, on such notes, respectively, which is included in other income and expenses on the condensed 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 to Moelis Asset Management LP for a fee. This fee totaled \$55 and \$65 for the three months ended September 30, 2021 and 2020, respectively, and \$166 and \$239 for the nine months ended September 30, 2021 and 2020, 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 September 30, 2021 and December 31, 2020, the Company had no balances due to or from Moelis Asset Management LP.

Affiliated SPACs and SPAC Sponsors—The Company provides office space, secretarial, administrative and other corporate services to certain Atlas Crest Entities. These services are provided to the Atlas Crest Entities upon consummation of their initial public offerings, in each case for a fee of \$10 per month. For the three and nine months ended September 30, 2021, these fees totaled \$60 and \$170, respectively. This arrangement shall continue with each Atlas Crest Entity until such Atlas Crest Entity consummates a business combination or is liquidated. As of September 30, 2021, and December 31, 2020, the Company had no balance due from the Atlas Crest Entities or their sponsors.

In addition to the Company's investments in the Atlas Crest Sponsors (described further in Note 5), the Company's Executive Officers have a material, non-majority investment in the Atlas Crest Sponsors.

MA Financial —As of September 30, 2021 and December 31, 2020, the Company had a balance of \$0 and \$5, respectively, due to MA Financial which is reflected in accrued and other receivables on the condensed consolidated statements of financial condition. These balances consist of amounts due to or from MA Financial for advisory services performed as well as billable expenses incurred by the Company on behalf of MA Financial during the period. The relationship between the Company and MA Financial is governed by a services agreement.

Revenues —From time to time, the Company enters into advisory transactions with affiliated entities, such as an Atlas Crest Entity or Moelis Asset Management LP and its affiliates. The Company earned revenues associated with such transactions of \$30,346 for each of the three and nine months ended September 30, 2021, and \$0 for each of the three months and nine months ended September 30, 2020.

10. 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. As of September 30, 2021, Moelis U.S. had net capital of \$402,160, which was \$401,910 in excess of its required net capital. At December 31, 2020, Moelis U.S. had net capital of \$96,800 which was \$96,550 in excess of its required net capital.

Certain other non-U.S. subsidiaries are subject to various securities and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These subsidiaries have exceeded their local capital adequacy requirements as of September 30, 2021.

11. COMMITMENTS AND CONTINGENCIES

Bank Lines of Credit — The Company renewed its \$65,000 revolving credit facility which extended the maturity date to June 30, 2022. Unless the lender issues a notice of termination at least 60 days prior to such maturity date, this facility will automatically extend to June 30, 2023. 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 September 30, 2021 and December 31, 2020, the Company had no borrowings under the credit facility. As of September 30, 2021, the Company's available credit under this facility was \$64,151 as a result of the issuance of an aggregate amount of \$849 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.

On May 24, 2021, Moelis U.S. entered into a \$30,000 revolving credit facility agreement pre-approved by FINRA to provide additional regulatory capital as necessary. Under this facility, the Company may borrow capital until May 24, 2022, the end of the credit period, and must repay aggregate principal balances by the maturity date of May 24, 2023. Borrowings on the facility bear interest equal to the Prime rate, payable quarterly in arrears on the last day of each March, June, September and December of each calendar year. The Company had no borrowing under the credit facility and the available credit under this facility was \$30,000 as of September 30, 2021.

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)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Supplemental Income Statement Information:				
Operating lease cost	\$ 5,379	\$ 6,697	\$ 18,870	\$ 19,713
Supplemental Cash Flow Information:				
Cash paid for amounts included in the measurement of lease liabilities:				
Net operating cash outflows for operating leases	\$ 3,364	\$ 5,996	\$ 11,624	\$ 13,840
Right-of-use assets obtained in exchange for lease obligations (e.g. new leases and amendments commenced during the period):	\$ 375	\$ 1,589	\$ 753	\$ 4,643
Other Information				
Weighted-average remaining lease term - operating leases	13.54 years	13.72 s	13.54 years	13.72 s
Weighted-average discount rate - operating leases	3.52 %	3.53 %	3.52 %	3.53 %

The future sublease income and maturities of our operating lease liabilities as of September 30, 2021, are as follows:

Fiscal year ended	Sublease Income	Operating Leases
Remainder of 2021	\$ (225)	\$ 3,775
2022	(899)	24,191
2023	(899)	20,949
2024	(899)	19,058
2025	(449)	16,340
Thereafter	—	177,935
Total Payments	\$ (3,371)	\$ 262,248
	Less: Tenant improvement allowances	(14,303)
	Less: Present value adjustment	(56,738)
	Total	\$ 191,207

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.

12. 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 three months ended September 30, 2021 and 2020, in the amounts of \$820 and \$713, respectively, and \$2,356 and \$2,119 for the nine months ended September 30, 2021 and 2020, respectively.

13. 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, except for certain other foreign, state, and local taxes (for example, the New York City unincorporated business tax ("UBT")). In addition, 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.

The Company's provision for income tax and effective tax rate were \$42,119 and 23% and \$8,534 and 17% for the three months ended September 30, 2021 and 2020, respectively. For the nine months ended September 30, 2021 and 2020, the Company's provision for income taxes was an expense of \$69,721 and a benefit of \$10,195, compared with pre-tax operating income of \$379,185 and \$52,680, respectively. The income tax provision for the aforementioned periods primarily reflects the Company's allocable share of earnings from Group LP at the prevailing U.S. federal, state, and local corporate income tax rates offset by the effect of the excess tax benefit recognized in connection with the delivery of equity-based compensation at an appreciated price above the grant date price for such equity. The excess tax benefit for the nine months ended September 30, 2021 and 2020 was \$17,882 and \$7,353, respectively.

14. 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues:				
United States	\$ 437,174	\$ 177,774	\$ 951,697	\$ 445,341
Europe	31,129	22,513	104,111	53,893
Rest of World	22,518	7,317	59,786	22,014
Total	<u>\$ 490,821</u>	<u>\$ 207,604</u>	<u>\$ 1,115,594</u>	<u>\$ 521,248</u>
			September 30,	December 31,
			2021	2020
Assets:				
United States		\$ 1,252,019	\$ 1,012,831	
Europe		68,344	78,470	
Rest of World		99,167	105,143	
Total		<u>\$ 1,419,530</u>	<u>\$ 1,196,444</u>	

As of September 30, 2021, and December 31, 2020, the Company had deferred revenues of \$3,914 and \$2,692, respectively. These amounts primarily consist of upfront fees and retainers for our services. During the nine months ended September 30, 2021 and 2020, \$2,423 and \$2,354 of revenues were recognized from the opening balance of deferred revenues, respectively.

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. Quantitative disclosures of constrained variable consideration are not provided for remaining, wholly unsatisfied, performance obligations. The remaining performance obligations related to retainers, upfront fees and announcement fees are typically associated with contracts that have durations of one year or less.

15. SUBSEQUENT EVENTS

The Board of Directors of Moelis & Company declared a special dividend of \$2.50 per share in addition to a regular quarterly dividend of \$0.60 per share. The \$3.10 per share will be paid on November 19, 2021 to shareholders of record as of November 8, 2021.

Item 2. 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 unaudited condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q and our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020.

Forward-Looking Statements and Certain Factors that May Affect Our Business

The following discussion should be read in conjunction with our condensed consolidated financial statements and the related notes that appear elsewhere in this Form 10-Q. We have made statements in this discussion that are forward-looking statements. 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. You should consider the numerous risks outlined under “Risk Factors” in our Annual Report on Form 10-K and in this Form 10-Q.

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.

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 21 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 September 30, 2021, we served our clients globally with 651 advisory bankers. 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” in Part II. Other Information of this Form 10-Q and in our 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 during the three and nine months ended September 30, 2021 and 2020, referenced throughout this Form 10-Q was obtained from Refinitiv, formerly known as Thomson Financial as of October 5, 2021, and October 4, 2020.

For the first nine months of 2021, we earned revenues of \$1,115.6 million compared with \$521.2 million earned during the same period in 2020. This represents an increase of 114% year over year and compares favorably with a 60% increase in the number of global completed M&A transactions greater than \$100 million in the same period.

Our team of investment banking professionals continues to be very active, providing high quality advice to a growing number of clients around the globe. During the third quarter of 2021, the global M&A market experienced the strongest quarter of deal announcements in history, measured by both the number of transactions and deal value. This resulted in the first nine months of 2021 being the most active nine month period of announcements of all time. Further, the third quarter of 2021 marked five consecutive quarters of 1,000+ global announced transactions greater than \$100 million, with associated deal values in excess of one trillion dollars. The underlying drivers of the robust M&A environment remain firmly in place, which should allow strong levels of activity to persist in the near to intermediate term. As a result, our M&A activity for both strategics and financial sponsors remains elevated versus the prior year. While the health of the global economy has

improved dramatically since this time last year, our restructuring activity continues to be steady as companies in certain parts of the economy are continuing to experience ongoing financial issues as a result of the business disruption caused by COVID-19. However, given the health of the economy, availability of capital and financing solutions, the pace of our new restructuring mandates have slowed dramatically versus this time last year. Over the longer-term, the record levels of corporate debt issued in the past eighteen months should also provide a solid level of restructuring activity. In addition, we continue to grow our capital markets business, which benefits from our SPAC expertise, and we believe we are well positioned to provide advice to companies across all sectors on their capital and liquidity needs.

We believe that while COVID-19 may continue to add uncertainty to the business environment, our Firm remains well positioned due to our business continuity planning, experienced management team, and focused client coverage.

Results of Operations

The following is a discussion of our results of operations for the three and nine months ended September 30, 2021 and 2020.

(\$ in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Revenues	\$ 490,821	\$ 207,604	136%	\$ 1,115,594	\$ 521,248	114%
Expenses:						
Compensation and benefits	307,590	127,148	142%	678,106	371,884	82%
Non-compensation expenses	31,083	28,498	9%	94,679	90,116	5%
Total operating expenses	338,673	155,646	118%	772,785	462,000	67%
Operating income (loss)	152,148	51,958	193%	342,809	59,248	479%
Other income and (expenses)	30,435	(1,631)	N/M	36,376	(6,568)	N/M
Income (loss) before income taxes	182,583	50,327	263%	379,185	52,680	620%
Provision (benefit) for income taxes	42,119	8,534	394%	69,721	(10,195)	N/M
Net income (loss)	<u>\$ 140,464</u>	<u>\$ 41,793</u>	<u>236%</u>	<u>\$ 309,464</u>	<u>\$ 62,875</u>	<u>392%</u>

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.

Three Months Ended September 30, 2021 versus 2020

Revenues were \$490.8 million for the three months ended September 30, 2021 as compared with \$207.6 million for the same period in 2020, representing an increase of 136%. The increase in revenues was primarily driven by greater transaction completions and an increase in average fees earned per completed transaction as compared to the prior year period.

For the three months ended September 30, 2021 and 2020, the number of fee-paying clients increased to 167 clients from 146 clients, respectively, and the number of clients that paid fees equal to or greater than \$1 million increased to 80 clients from 43 clients for the same period of 2020.

Nine Months Ended September 30, 2021 versus 2020

Revenues were \$1,115.6 million for the nine months ended September 30, 2021 as compared with \$521.2 million for the same period in 2020, representing an increase of 114%. The increase in revenues was primarily driven by greater transaction completions and an increase in average fees earned per completed transaction as compared to the prior year period.

For the nine months ended September 30, 2021 and 2020 we earned revenues from 332 and 238 clients, respectively, and the number of clients who paid fees equal to or greater than \$1 million increased to 220 clients from 126 clients for the same period of 2020.

Operating Expenses

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

(\$ in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Expenses:						
Compensation and benefits	\$ 307,590	\$ 127,148	142%	\$ 678,106	\$ 371,884	82%
<i>% of revenues</i>	63%	61%		61%	71%	
Non-compensation expenses	\$ 31,083	\$ 28,498	9%	\$ 94,679	\$ 90,116	5%
<i>% of revenues</i>	6%	14%		8%	17%	
Total operating expenses	\$ 338,673	\$ 155,646	118%	\$ 772,785	\$ 462,000	67%
<i>% of revenues</i>	69%	75%		69%	89%	

Our operating expenses are classified as compensation and benefits expenses and non-compensation 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.

Three Months Ended September 30, 2021 versus 2020

Operating expenses were \$338.7 million for the three months ended September 30, 2021 and represented 69% of revenues, compared with \$155.6 million for the same period in 2020 which represented 75% of revenues. The increase in operating expenses was primarily driven by higher compensation and benefits expenses associated with greater revenues.

Nine Months Ended September 30, 2021 versus 2020

Operating expenses were \$772.8 million for the nine months ended September 30, 2021 and represented 69% of revenues, compared with \$462.0 million for the same period in 2020 which represented 89% of revenues. The increase in operating expenses was primarily driven by increased compensation and benefits expenses associated with greater revenues.

Compensation and Benefits Expenses

Our compensation and benefits expenses are determined by management based on revenues earned, gains on founder investments where our employees and the Moelis advisory platform contributed meaningfully to the value, the competitiveness of the prevailing labor market and anticipated compensation requirements for our employees, the level of recruitment of new Managing Directors and other bankers, the amount of compensation expenses amortized for equity awards and other relevant factors. 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.

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.

Three Months Ended September 30, 2021 versus 2020

For the three months ended September 30, 2021, compensation related expenses of \$307.6 million represented 63% of revenues, compared with \$127.1 million which represented 61% of revenues in the prior year period. In comparison to the prior year period, compensation expenses increased primarily due to higher discretionary bonus expense associated with greater revenues, and increased as a percentage of revenues due to compensable gains recorded in other income and expenses.

Nine Months Ended September 30, 2021 versus 2020

For the nine months ended September 30, 2021, compensation related expenses of \$678.1 million represented 61% of revenues, compared with \$371.9 million which represented 71% of revenues in the prior year period. The increase in compensation expenses was primarily related to higher discretionary bonus expense associated with greater revenues and compensable gains recorded in other income and expenses as compared to the prior year period.

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.

Historically (prior to COVID-19), our non-compensation expenses have increased as we have increased headcount 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.

Three Months Ended September 30, 2021 versus 2020

For the three months ended September 30, 2021, non-compensation expenses of \$31.1 million represented 6% of revenues, compared with \$28.5 million which represented 14% of revenues in the prior year period. The increase in non-compensation expenses is primarily related to increased travel and other business development expenses associated with lightened COVID-19 restrictions, as compared to the prior year period.

Nine Months Ended September 30, 2021 versus 2020

For the nine months ended September 30, 2021, non-compensation expenses of \$94.7 million represented 8% of revenues, compared with \$90.1 million which represented 17% of revenues in the prior year period. The increase in non-compensation expenses is primarily related to increased professional fees associated with greater activity, partially offset by lower travel and related expenses.

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.

Three Months Ended September 30, 2021 versus 2020

Other income and expenses were income of \$30.4 million and expense of \$1.6 million for the three months ended September 30, 2021 and 2020, respectively. In the third quarter of 2021, we recorded gains to other income of \$20.2 million related to the August 2021 sale of 6.0 million shares of our investment in MA Financial and \$5.0 million related to net unrealized gains from the mark-to-market impact of the Firm's investment in the sponsor units of Atlas Crest Investment Corp. and equity shares received as payment for advisory services provided.

Nine Months Ended September 30, 2021 versus 2020

Other income and expenses were income of \$36.4 million and expense of \$6.6 million for the nine months ended September 30, 2021 and 2020, respectively. In the third quarter of 2021, we recorded gains to other income of \$20.2 million related to the August 2021 sale of 6.0 million shares of our investment in MA Financial and \$5.0 million related to net unrealized gains from the mark-to-market impact of the Firm's investment in the sponsor units of Atlas Crest Investment Corp. and equity shares received as payment for advisory services provided.

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, except for certain foreign, state and local income taxes (for example, the New York City unincorporated business tax ("UBT")). 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.

Three Months Ended September 30, 2021 versus 2020

The Company's provision for income taxes and effective tax rates were \$42.1 million and 23% and \$8.5 million and 17%, for the three months ended September 30, 2021 and 2020, respectively. The income tax provision and effective tax rate for the aforementioned periods primarily reflect the Company's allocable share of operating results from Group LP at the prevailing U.S. federal, state, and local corporate income tax rate.

Nine Months Ended September 30, 2021 versus 2020

For the nine months ended September 30, 2021 and 2020, the Company's provision for income taxes were an expense of \$69.7 million and a benefit of \$10.2 million compared to pre-tax operating results of \$379.2 million and \$52.7 million, respectively. The income tax provision and effective tax rate for the aforementioned periods primarily reflect the Company's allocable share of operating results from Group LP at the prevailing U.S. federal, state, and local corporate income tax rate, partially offset by 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 September 30, 2021 and December 31, 2020, the Company had cash equivalents of \$197.1 million and \$119.0 million, respectively, invested in U.S. Treasury instruments and money market securities. Additionally, as of September 30, 2021 and December 31, 2020, the Company had cash of \$81.6 million and \$83.5 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 condensed consolidated statements of financial condition as they have original maturities of three months or more from the date of purchase. As of September 30, 2021 and December 31, 2020, the Company held \$279.7 million and \$172.7 million of U.S. treasury instruments classified as investments, 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 September 30, 2021 and December 31, 2020 accounts receivable were \$100.8 million and \$89.3 million, respectively, net of allowances of \$2.8 million and \$3.8 million, respectively.

To provide for additional working capital and other general corporate purposes, we maintain a \$65.0 million revolving credit facility. In addition, Moelis & Company LLC ("Moelis U.S.") maintains a \$30.0 million revolving credit facility agreement pre-approved by FINRA to provide additional regulatory capital as necessary.

Unless the lender of the \$65.0 million facility issues a notice of termination at least 60 days prior to the maturity date of June 30, 2022, this facility will automatically extend to June 30, 2023. 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 September 30, 2021, the Company had no borrowings under the credit facility. As of September 30, 2021, the Company's available credit under this facility was \$64.2 million as a result of the issuance of an aggregate amount of \$0.8 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.

Under the \$30.0 million facility, Moelis U.S. may borrow capital until May 24, 2022, the end of the credit period, and must repay aggregate principal balances by the maturity date of May 24, 2023. Borrowings on the facility bear interest equal to the Prime rate, payable quarterly in arrears on the last day of each March, June, September and December of each calendar year. Moelis U.S. had no borrowing under the credit facility and the available credit under this facility was \$30.0 million as of September 30, 2021.

The Board of Directors of Moelis & Company declared a special dividend of \$2.50 per share in addition to a regular quarterly dividend of \$0.60 per share. The \$3.10 per share will be paid on November 19, 2021 to Class A common shareholders of record on November 8, 2021. During the nine months ended September 30, 2021 the Company paid aggregate dividends of \$3.70 per share, which excludes the \$3.10 per share that will be paid on November 19, 2021.

During the nine months ended September 30, 2021 and 2020, the Company repurchased 1,848,029 and 925,857 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. In July 2021, the Board of Directors authorized the repurchase of an additional \$100 million of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date. The remaining balance of shares authorized for repurchase under the program was \$149.1 million as of September 30, 2021.

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 10 of the condensed consolidated financial statements as of September 30, 2021 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)	Nine Months Ended September 30,	
	2021	2020
Cash Provided By (Used In)		
Operating Activities:		
Net income (loss)	\$ 309,464	\$ 62,875
Non-cash charges	110,003	105,146
Other operating activities	127,670	(64,580)
Total operating activities	547,137	103,441
Investing Activities	(93,069)	(38,890)
Financing Activities	(375,947)	(144,302)
Effect of exchange rate changes	(1,672)	(2,672)
Net increase (decrease) in cash	76,449	(82,423)
Cash, cash equivalents, and restricted cash, beginning of period	203,284	168,572
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 279,733</u>	<u>\$ 86,149</u>

Nine months ended September 30, 2021

Cash, cash equivalents and restricted cash were \$279.7 million at September 30, 2021, an increase of \$76.4 million from \$203.3 million at December 31, 2020. Operating activities resulted in a net inflow of \$547.1 million primarily attributable to cash collected from clients, net of cash operating outflows, including discretionary bonuses paid during the period. Investing activities resulted in a net outflow of \$93.1 million primarily attributable to cash inflows for net purchases of investments. Financing activities resulted in a net outflow of \$375.9 million primarily related to the payment of dividends and tax distributions and treasury stock purchases.

Nine months ended September 30, 2020

Cash, cash equivalents and restricted cash were \$86.1 million at September 30, 2020, a decrease of \$82.4 million from \$168.6 million at December 31, 2019. Operating activities resulted in a net inflow of \$103.4 million primarily attributable to cash collected from clients net of operating expenses, including discretionary bonuses paid during the period. Investing activities resulted in a net outflow of \$38.9 million primarily attributable to cash outflows for construction in progress. Financing activities resulted in a net outflow of \$144.3 million primarily related to the payment of dividends and tax distributions and treasury stock purchases.

Contractual Obligations

As of September 30, 2021, the Company has a total payable of \$307.6 million due pursuant to the tax receivable agreement in the condensed consolidated financial statements and of this amount an estimated \$2.8 million will be due in less than one year. These amounts represent 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. 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. There were payments of \$16.3 million made pursuant to the tax receivable agreement during the first nine months of 2021.

Additionally, the Company has contractual obligations related to its leases for corporate office space and an aircraft. Please see Note 11 to the condensed consolidated financial statements for details regarding when these obligations are due.

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 that are classified as investments on our condensed consolidated 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 credit losses 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 credit losses 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 Credit Losses."

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 condensed consolidated statements of operations. In addition, the reported amounts of our revenues and other income from investments may be affected by movements in the rate of exchange between the pound sterling, euro, Brazilian real, Hong Kong dollar, rupee, Australian dollar, and the U.S. dollar, in which our financial statements are denominated. For the three months ended September 30, 2021 and 2020, the net impact of the fluctuation of foreign currencies in other comprehensive income (loss) in the condensed statements of comprehensive income were losses of \$3.0 million and \$0.5 million, respectively, and losses of \$1.7 million and \$2.2 million for the nine months ended September 30, 2021 and 2020, 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 condensed 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 Credit Losses

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

The Company maintains an allowance for credit losses that, in management's opinion, provides for an adequate reserve to cover losses that may be incurred. For purposes of determining appropriate allowances, the Company stratifies its population of accounts receivable into two categories, one for short-term receivables and a second for private funds advisory receivables. Each population is separately evaluated using an aging method that results in a percentage reserve based on the age of the receivable, in addition to considerations of historical charge-offs and current economic conditions.

After concluding that a reserved accounts receivable is no longer collectible, the Company will charge-off the receivable. This has the effect of reducing both the gross receivable and the allowance for credit losses. If a reserved accounts receivable is subsequently collected, such recoveries reduce the gross receivable and the allowance for credit losses and is a reduction of bad debt expense, which is recorded within other expenses on the condensed consolidated statement of operations. The combination of recoveries and the provision for credit losses of a reported period comprise the Company's bad debt expense.

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 condensed 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 nine months ended September 30, 2021 and 2020, 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 nine months ended September 30, 2021 and 2020, no such amounts were recorded.

Recent Accounting Developments

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative disclosures about market risk are set forth above in “Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Market Risk and Credit Risk.”

Item 4. 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.

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.

PART II. OTHER INFORMATION

Item 1. 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 1A. Risk Factors

There have been no material changes to the Risk Factors described in Part I "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission ("SEC").

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales

None.

Issuer Purchases of Equity Securities

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)
July 1 - July 31	69,731	\$ 54.46	67,862	\$ 149.1 million
August 1 - August 31	2,854	59.30	—	149.1 million
September 1 - September 30	2,140	61.93	—	149.1 million
Total	<u>74,725</u>	<u>\$ 54.86</u>	<u>67,862</u>	<u>\$ 149.1 million</u>

(1) Includes 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. In July 2021, the Board of Directors authorized the repurchase of an additional \$100 million of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	<u>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)</u>
3.2	<u>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)</u>
10.1	<u>Master Services Agreement, dated April 28, 2021 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 Form 10-Q filed with the SEC on April 29, 2021)</u>
31.1	<u>Rule 13a-14(a) Certification of Chief Executive Officer of the Registrant in accordance with Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Rule 13a-14(a) Certification of Chief Financial Officer of the Registrant in accordance with Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1*	<u>Section 1350 Certification of Chief Executive Officer of the Registrant in accordance with Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2*	<u>Section 1350 Certification of Chief Financial Officer of the Registrant in accordance with Section 906 of the Sarbanes-Oxley Act of 2002</u>
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.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized this 28th day of October, 2021.

MOELIS & COMPANY

/s/ Kenneth Moelis
Kenneth Moelis
Chief Executive Officer

/s/ Joseph Simon
Joseph Simon
Chief Financial Officer

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

I, Kenneth Moelis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ending September 30, 2021, 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.

October 28, 2021

/s/ Kenneth Moelis
Kenneth Moelis
Chief Executive Officer

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

I, Joseph Simon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ending September 30, 2021, 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.

October 28, 2021

/s/ Joseph Simon
Joseph Simon
Chief Financial Officer

**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 Quarterly Report of the Company on Form 10-Q for the quarterly period ended September 30, 2021 (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.

October 28, 2021

/s/ Kenneth Moelis
Kenneth Moelis
Chief Executive Officer

**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 Quarterly Report of the Company on Form 10-Q for the quarterly period ended September 30, 2021 (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.

October 28, 2021

/s/ Joseph Simon
Joseph Simon
Chief Financial Officer
