

**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, 2020

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 15, 2020, there were 55,460,834 shares of Class A common stock, par value \$0.01 per share, and 8,490,938 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, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 85,513	\$ 167,812
Restricted cash	636	760
Receivables:		
Accounts receivable, net of allowance for credit losses of \$4,511 and \$4,088 as of September 30, 2020 and December 31, 2019, respectively	65,281	45,074
Accrued and other receivables	13,512	10,722
Total receivables	78,793	55,796
Deferred compensation	13,310	11,748
Investments	219,534	213,231
Right-of-use assets	179,452	190,763
Equipment and leasehold improvements, net	42,000	13,992
Deferred tax asset and income tax receivable	430,279	400,496
Prepaid expenses and other assets	16,404	17,101
Total assets	<u>\$ 1,065,921</u>	<u>\$ 1,071,699</u>
Liabilities and Equity		
Compensation payable	\$ 116,905	\$ 163,131
Accounts payable, accrued expenses and other liabilities	10,123	16,107
Amount due pursuant to tax receivable agreement	323,312	297,986
Deferred revenue	7,494	3,023
Lease liabilities	193,444	197,625
Total liabilities	<u>651,278</u>	<u>677,872</u>
Commitments and Contingencies (See Note 11)		
Class A common stock, par value \$0.01 per share (1,000,000,000 shares authorized, 59,144,937 issued and 55,461,522 outstanding at September 30, 2020; 1,000,000,000 authorized, 52,773,617 issued and 50,016,059 outstanding at December 31, 2019)	591	528
Class B common stock, par value \$0.01 per share (1,000,000,000 shares authorized, 8,490,938 issued and outstanding at September 30, 2020; 1,000,000,000 authorized, 10,397,915 issued and outstanding at December 31, 2019)	86	104
Treasury stock, at cost; 3,683,415 and 2,757,558 shares as of September 30, 2020 and December 31, 2019, respectively	(141,190)	(107,836)
Additional paid-in-capital	993,688	872,791
Retained earnings (accumulated deficit)	(384,731)	(324,192)
Accumulated other comprehensive income (loss)	(359)	1,432
Total Moelis & Company equity	468,085	442,827
Noncontrolling interests	(53,442)	(49,000)
Total equity	<u>414,643</u>	<u>393,827</u>
Total liabilities and equity	<u>\$ 1,065,921</u>	<u>\$ 1,071,699</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)**

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues	\$ 207,604	\$ 231,700	\$ 521,248	\$ 523,006
Expenses				
Compensation and benefits	127,148	141,697	371,884	316,343
Occupancy	7,660	4,802	22,564	14,386
Professional fees	4,952	4,401	14,383	14,922
Communication, technology and information services	8,162	7,844	24,117	23,683
Travel and related expenses	1,662	10,909	11,154	31,699
Depreciation and amortization	941	1,284	3,216	3,729
Other expenses	5,121	6,480	14,682	20,453
Total expenses	<u>155,646</u>	<u>177,417</u>	<u>462,000</u>	<u>425,215</u>
Operating income (loss)	51,958	54,283	59,248	97,791
Other income and (expenses)	(1,631)	14,301	(6,568)	21,413
Income (loss) before income taxes	50,327	68,584	52,680	119,204
Provision (benefit) for income taxes	8,534	13,886	(10,195)	10,662
Net income (loss)	41,793	54,698	62,875	108,542
Net income (loss) attributable to noncontrolling interests	8,842	14,083	10,526	24,898
Net income (loss) attributable to Moelis & Company	<u>\$ 32,951</u>	<u>\$ 40,615</u>	<u>\$ 52,349</u>	<u>\$ 83,644</u>
Weighted-average shares of Class A common stock outstanding				
Basic	<u>56,803,430</u>	<u>51,079,746</u>	<u>55,263,689</u>	<u>49,796,867</u>
Diluted	<u>60,668,084</u>	<u>55,468,728</u>	<u>59,241,139</u>	<u>55,145,248</u>
Net income (loss) per share attributable to holders of shares of Class A common stock				
Basic	<u>\$ 0.58</u>	<u>\$ 0.80</u>	<u>\$ 0.95</u>	<u>\$ 1.68</u>
Diluted	<u>\$ 0.54</u>	<u>\$ 0.73</u>	<u>\$ 0.88</u>	<u>\$ 1.52</u>

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

Moelis & Company**Condensed Consolidated Statements of Comprehensive Income****(Unaudited)****(dollars in thousands)**

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net income (loss)	\$ 41,793	\$ 54,698	\$ 62,875	\$ 108,542
Foreign currency translation adjustment, net of tax	(499)	(322)	(2,224)	161
Other comprehensive income (loss)	(499)	(322)	(2,224)	161
Comprehensive income (loss)	41,294	54,376	60,651	108,703
Less: Comprehensive income (loss) attributable to noncontrolling interests	8,752	14,016	10,093	24,938
Comprehensive income (loss) attributable to Moelis & Company	<u>\$ 32,542</u>	<u>\$ 40,360</u>	<u>\$ 50,558</u>	<u>\$ 83,765</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,	
	2020	2019
Cash flows from operating activities		
Net income (loss)	\$ 62,875	\$ 108,542
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Bad debt expense	2,808	2,254
Depreciation and amortization	3,216	3,729
Equity-based compensation	97,724	97,505
Deferred tax provision and income tax receivable	(7,111)	10,262
Gain on partial sale of equity method investment	—	(12,631)
Other	8,509	(4,228)
Changes in assets and liabilities:		
Accounts receivable	(23,532)	(44,437)
Accrued and other receivables	(2,589)	(4,408)
Prepaid expenses and other assets	1,190	(2,985)
Deferred compensation	(1,585)	(89)
Compensation payable	(45,715)	(132,164)
Accounts payable, accrued expenses and other liabilities	1,245	(12,373)
Deferred revenue	4,464	(3,089)
Dividends received	1,942	2,848
Net cash provided by (used in) operating activities	<u>103,441</u>	<u>8,736</u>
Cash flows from investing activities		
Purchase of investments	(259,965)	(121,590)
Proceeds from sales of investments	252,484	89,859
Notes issued to employees	(200)	—
Purchase of equipment and leasehold improvements	(31,209)	(5,532)
Proceeds from partial sale of equity method investment	—	28,264
Net cash provided by (used in) investing activities	<u>(38,890)</u>	<u>(8,999)</u>
Cash flows from financing activities		
Dividends and distributions	(122,871)	(178,122)
Proceeds from exercise of stock options	11,923	7,866
Treasury stock purchases	(33,354)	(42,073)
Net cash provided by (used in) financing activities	<u>(144,302)</u>	<u>(212,329)</u>
Effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash	(2,672)	463
Net increase (decrease) in cash, cash equivalents, and restricted cash	(82,423)	(212,129)
Cash, cash equivalents, and restricted cash, beginning of period	168,572	261,771
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 86,149</u>	<u>\$ 49,642</u>
Supplemental cash flow disclosure:		
Cash paid during the period for:		
Income taxes	\$ 1,914	\$ 13,731
Other non-cash activity		
Cumulative effect adjustment upon adoption of ASU 2016-13	\$ 364	\$ —
Dividend equivalents issued	\$ 17,021	\$ 28,688
Class A Partnership Units or other equity converted into Class A Common Stock	\$ 5,968	\$ 712
Forfeiture of fully-vested Group LP units or other equity units	\$ 96	\$ 2,397

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)

	Shares			Class A Common Stock	Class B Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Class A Common Stock	Class B Common Stock	Treasury Stock								
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).

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(dollars in thousands, except share amounts)

	Shares			Class A Common Stock	Class B Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Class A Common Stock	Class B Common Stock	Treasury Stock								
Balance as of January 1, 2019	47,031,095	10,493,358	(1,426,115)	\$ 470	\$ 105	\$ (56,661)	\$ 697,938	\$ (237,782)	\$ 291	\$ (32,608)	\$ 371,753
Net income (loss)	—	—	—	—	—	—	—	13,570	—	2,607	16,177
Equity-based compensation	2,397,164	—	—	24	—	—	38,753	—	—	109	38,886
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	421	119	540
Dividends declared (\$1.75 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	19,484	(103,436)	—	(30,439)	(114,391)
Treasury Stock Purchases	—	—	(616,796)	—	—	(26,970)	—	—	—	—	(26,970)
Exercise of Stock options	29,439	—	—	—	—	—	492	—	—	—	492
Equity-based payments to non-employees	—	—	—	—	—	—	416	—	—	—	416
Other	—	—	—	—	—	—	(734)	—	—	974	240
Balance as of March 31, 2019	<u>49,457,698</u>	<u>10,493,358</u>	<u>(2,042,911)</u>	<u>\$ 494</u>	<u>\$ 105</u>	<u>\$ (83,631)</u>	<u>\$ 756,349</u>	<u>\$ (327,648)</u>	<u>\$ 712</u>	<u>\$ (59,238)</u>	<u>\$ 287,143</u>
Net income (loss)	—	—	—	—	—	—	—	29,459	—	8,208	37,667
Equity-based compensation	1,787,993	—	—	18	—	—	28,187	—	—	41	28,246
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(45)	(12)	(57)
Dividends declared (\$0.50 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	4,514	(29,164)	—	(6,496)	(31,146)
Treasury Stock Purchases	—	—	(355,039)	—	—	(12,640)	—	—	—	—	(12,640)
Exercise of Stock options	321,662	—	—	3	—	—	5,372	—	—	—	5,375
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	61,936	(61,936)	—	1	(1)	—	(1,580)	—	—	2,010	430
Equity-based payments to non-employees	—	—	—	—	—	—	111	—	—	—	111
Other	—	—	—	—	—	—	(1,550)	—	—	(721)	(2,271)
Balance as of June 30, 2019	<u>51,629,289</u>	<u>10,431,422</u>	<u>(2,397,950)</u>	<u>\$ 516</u>	<u>\$ 104</u>	<u>\$ (96,271)</u>	<u>\$ 791,403</u>	<u>\$ (327,353)</u>	<u>\$ 667</u>	<u>\$ (56,208)</u>	<u>\$ 312,858</u>
Net income (loss)	—	—	—	—	—	—	—	40,615	—	14,083	54,698
Equity-based compensation	99,443	—	—	1	—	—	30,342	—	—	30	30,373
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(255)	(67)	(322)
Dividends declared (\$0.50 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	4,690	(29,384)	—	(7,891)	(32,585)
Treasury Stock Purchases	—	—	(74,655)	—	—	(2,463)	—	—	—	—	(2,463)
Exercise of Stock options	119,926	—	—	1	—	—	2,002	—	—	—	2,003
Equity-based payments to non-employees	—	—	—	—	—	—	102	—	—	—	102
Other	—	(33,507)	—	—	—	—	(781)	—	—	697	(84)
Balance as of September 30, 2019	<u>51,848,658</u>	<u>10,397,915</u>	<u>(2,472,605)</u>	<u>\$ 518</u>	<u>\$ 104</u>	<u>\$ (98,734)</u>	<u>\$ 827,758</u>	<u>\$ (316,122)</u>	<u>\$ 412</u>	<u>\$ (49,356)</u>	<u>\$ 364,580</u>

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 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 International Holdings LLC (“Moelis International”), a Delaware limited liability company, owns the following entities and investments, directly or indirectly:
 - Moelis & Company UK LLP (“Moelis UK”), a limited liability partnership registered under the laws of England and Wales. In addition to the United Kingdom, Moelis UK maintains operations through the following branches:
 - Moelis & Company UK LLP, French Branch (French branch)
 - Moelis & Company Europe Limited, Frankfurt am Main Branch (German branch)
 - Moelis & Company UK LLP, DIFC Branch (Dubai branch)
 - Moelis & Company Asia Limited (“Moelis Asia”), a limited company incorporated in Hong Kong licensed under the Hong Kong Securities and Futures Ordinance to provide financial advisory services. In addition to Hong Kong, Moelis Asia maintains operations in Beijing, China through a wholly-owned Chinese subsidiary, Moelis & Company Consulting (Beijing) Company Limited.
 - Moelis & Company Netherlands BV, a private limited company incorporated in Amsterdam, Netherlands.
 - Moelis & Company India Private Limited, a private limited company incorporated in Mumbai, India.
 - Moelis & Company Assessoria Financeira Ltda. (“Moelis Brazil”), a limited liability company incorporated in São Paulo, Brazil.
 - An equity method investment in Moelis Australia Limited (“Moelis Australia”), a public company listed on the Australian Securities Exchange

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting —The Company prepared the accompanying 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, 2019.

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 government securities money markets.

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, 2020 and 2019, is presented below.

	September 30,	
	2020	2019
Cash	\$ 46,026	\$ 38,387
Cash equivalents	39,487	10,556
Restricted cash	636	699
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 86,149</u>	<u>\$ 49,642</u>

Additionally, as of December 31, 2019, the Company held cash of \$71,798 and cash equivalents of \$96,014.

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, 2020 and December 31, 2019 were \$19,165 and \$19,879 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 \$182 and \$241 for the three months ended September 30, 2020 and 2019, respectively, and \$568 and \$761 for the nine months ended September 30, 2020 and 2019, 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, 2020:

	Three Months Ended September 30, 2020		
	Accounts Receivable		
	Short-term Receivables	Private Funds Advisory Receivables	Total
Allowance for Credit Losses, beginning balance	\$ 4,507	\$ 200	\$ 4,707
Charge-offs	(1,428)	-	(1,428)
Recoveries	(1,235)	-	(1,235)
Reduction to allowance	(2,663)	-	(2,663)
Provision for credit losses	2,473	(6)	2,467
Allowance for credit losses, ending balance	<u>\$ 4,317</u>	<u>\$ 194</u>	<u>\$ 4,511</u>

	Nine Months Ended September 30, 2020		
	Accounts Receivable		
	Short-term Receivables	Private Funds Advisory Receivables	Total
Allowance for Credit Losses, beginning balance	\$ 4,088	\$ -	\$ 4,088
Adjustment for adoption of ASU 2016-13	260	199	459
Allowance for Credit Losses, adjusted beginning balance	4,348	199	4,547
Charge-offs	(2,844)	-	(2,844)
Recoveries	(2,471)	(26)	(2,497)
Reduction to allowance	(5,315)	(26)	(5,341)
Provision for credit losses	5,284	21	5,305
Allowance for credit losses, ending balance	<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) based on inputs:

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

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

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

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.

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.

Adoption of ASU 2016-02

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

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

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 ASU 2018-15, "Goodwill and Other —Internal Use Software" using a prospective approach ("ASU 2018-15"). 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 records as treasury stock shares repurchased from its employees for the purpose of settling tax liabilities incurred upon the vesting of restricted stock units ("RSUs"). The Company records dividends in kind, net of forfeitures, on outstanding RSUs as a reduction of retained earnings with a corresponding increase in additional paid-in capital, resulting in no net change to equity. Dividends in kind on RSUs are subject to the same vesting conditions as the underlying RSUs on which they were accrued. Dividends in kind will be forfeited if the underlying award does not vest.

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

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

Income Taxes — The Company accounts for income taxes in accordance with ASC 740, "Accounting for Income Taxes" ("ASC 740"), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities by applying the enacted tax rates in effect for the year in which the differences are expected to reverse. Such net tax effects on temporary differences are reflected on the Company's 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, 2020 and 2019, 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, 2020 and 2019, 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.

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, 2020	December 31, 2019
Office equipment	\$ 13,033	\$ 13,593
Furniture and fixtures	5,045	5,054
Leasehold improvements	15,189	15,294
Construction in progress	32,105	2,108
Total	65,372	36,049
Less accumulated depreciation and amortization	(23,372)	(22,057)
Equipment and leasehold improvements, net	\$ 42,000	\$ 13,992

Depreciation and amortization expenses for fixed assets totaled \$941 and \$1,284 for the three months ended September 30, 2020 and 2019, respectively, and \$3,216 and \$3,729 for the nine months ended September 30, 2020 and 2019, respectively.

As of September 30, 2020, there were \$2,130 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 \$113 and \$127 for the three and nine months ended September 30, 2020, respectively, and 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) based on inputs:

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

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

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

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The estimated fair values of government securities money markets, U.S. Treasury instruments, and government debt securities 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.

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

The following table summarizes the levels of the fair value hierarchy into which the Company's financial assets fall as of September 30, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
<i>Included in cash and cash equivalents</i>				
U.S. treasury instruments	\$ 15,000	\$ —	\$ 15,000	\$ —
Government securities money market	24,487	—	24,487	—
<i>Investments</i>				
U.S. treasury instruments	180,828	—	180,828	—
Common stock	1,117	1,117	—	—
Total financial assets	<u>\$ 221,432</u>	<u>\$ 1,117</u>	<u>\$ 220,315</u>	<u>\$ —</u>

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 \$182,452 as of September 30, 2020.

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

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

For the three and nine months ended September 30, 2019, unrealized gains of \$33 and \$32 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 \$173,806 as of December 31, 2019.

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 became listed on the Australian Securities Exchange as Moelis Australia Limited (ASX: MOE). As a result of the offering, the Company's ownership interest in Moelis Australia was diluted and continues to be accounted for under the equity method of accounting. Please see Note 4 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 for additional information.

On February 19, 2020 and February 20, 2019, Moelis Australia declared dividends, of which the Company received \$1,942 and \$2,848 on March 4, 2020 and March 6, 2019, respectively. The Company accounted for the dividends as a return on investment and reduced the carrying value of the investment in Moelis Australia by \$1,942 and \$2,848, respectively.

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

The balances of the Company's equity method investment as of September 30, 2020 and December 31, 2019 were \$37,589 and \$38,944, 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, 2020 and 2019 are presented below.

(dollars in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>Numerator:</i>				
Net income (loss) attributable to holders of shares of Class A common stock—basic	\$ 32,951	\$ 40,615	\$ 52,349	\$ 83,644
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	\$ 32,951	\$ 40,615	\$ 52,349	\$ 83,644
<i>Denominator:</i>				
Weighted average shares of Class A common stock outstanding—basic	56,803,430	51,079,746	55,263,689	49,796,867
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 restricted stock, RSUs and stock options, as calculated using the treasury stock method	3,864,654 (b)	4,388,982 (b)	3,977,450 (b)	5,348,381 (b)
Weighted average shares of Class A common stock outstanding—diluted	60,668,084	55,468,728	59,241,139	55,145,248
Net income (loss) per share attributable to holders of shares of Class A common stock				
Basic	\$ 0.58	\$ 0.80	\$ 0.95	\$ 1.68
Diluted	\$ 0.54	\$ 0.73	\$ 0.88	\$ 1.52

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

- (a) Class A partnership units may be exchanged for Moelis & Company Class A common stock on a one-for-one basis, subject to applicable lock-up, vesting and transfer restrictions. If all Class A partnership units were to be exchanged for Class A common stock, fully diluted Class A common stock outstanding would be 71,774,582 and 68,459,164 for the three months ended September 30, 2020 and 2019, respectively, and 71,151,424 and 68,163,860 for the nine months ended September 30, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, there were 1,847 and 51,426 RSUs, respectively, that would have been included in the treasury stock method calculation if the effect were dilutive and 227,126 and 1,465,962 units for the nine months ended September 30, 2020 and 2019, respectively.

7. EQUITY-BASED COMPENSATION

Partnership Units

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

In connection with the reorganization and IPO, Group LP issued Class A partnership units to Moelis & Company and to certain existing unit holders. Following the reorganization, a Class A partnership unit (not held by Moelis & Company or its subsidiaries) is exchangeable into one share of Moelis & Company Class A common stock and represents the Company’s noncontrolling interests. As of September 30, 2020, partners held 11,051,045 Class A partnership units.

The Company recognized compensation expenses of \$0 and \$30 for the three months ended September 30, 2020 and 2019, respectively, and \$39 and \$180 for the nine months ended September 30, 2020 and 2019.

2014 Omnibus Incentive Plan

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

Share Repurchase Plan

In the first quarter of 2015, the Board of Directors authorized the repurchase of up to \$25 million of shares of Class A common stock of the Company and/or Class A partnership units of Group LP with no expiration date. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will be opportunistic and measured in nature and will depend on a variety of factors, including price and market conditions. In February 2019, the Board of Directors authorized the repurchase of up to \$100 million of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date. This new authorization replaced the former repurchase program and the remaining authorization under the program was eliminated. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will be opportunistic and measured in nature and will depend on a variety of factors, including price and market conditions. The remaining balance of shares authorized for repurchase under the program was \$80.9 million as of September 30, 2020.

Restricted Stock and Restricted Stock Units (RSUs)

Pursuant to the Plan and in connection with the Company’s annual compensation process and ongoing hiring process, the Company issues RSUs which generally vest over a service life of four to five years. For the three months ended September 30, 2020 and 2019, the Company recognized expense of \$30,090 and \$30,343, respectively, and \$97,685 and \$96,719 for the nine months ended September 30, 2020 and 2019, respectively, in relation to these RSUs.

The following table summarizes activity related to restricted stock and RSUs for the nine months ended September 30, 2020 and 2019.

	Restricted Stock & RSUs			
	2020		2019	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested Balance at January 1,	8,414,130	\$ 42.19	8,761,224	\$ 37.59
Granted	3,913,960	37.58	4,060,788	45.16
Forfeited	(117,850)	40.00	(153,487)	45.05
Vested	(3,201,045)	38.76	(4,172,237)	34.75
Unvested Balance at September 30,	9,009,195	\$ 41.35	8,496,288	\$ 42.17

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As of September 30, 2020, the total compensation expense related to unvested restricted stock and RSUs not yet recognized was \$146,520. The weighted-average period over which this compensation expense is expected to be recognized at September 30, 2020 is 1.6 years.

Stock Options

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

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

The Company paid special dividends of \$9.05, in aggregate, through September 30, 2020. 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 and 2019.

	Stock Options Outstanding			
	2020		2019	
	Number Outstanding	Weighted Average Exercise Price Per Share	Number Outstanding	Weighted Average Exercise Price Per Share
Outstanding at January 1,	728,534	\$ 15.95	2,017,067	\$ 15.95
Exercises	(728,534)	15.95	(471,027)	15.95
Forfeitures or expirations	—	—	(3,000)	15.95
Outstanding at September 30,	—	\$ —	1,543,040	\$ 15.95

For the three months ended September 30, 2020 and 2019, the Company recognized expenses of \$0 and \$0, respectively, and \$0 and \$606 for the nine months ended September 30, 2020 and 2019, respectively, related to stock options.

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 details of these offerings are displayed below. The Company did not retain any proceeds from the sale of its Class A common stock.

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

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As of September 30, 2020, there were 59,144,937 shares of Class A common stock issued, 3,683,415 shares of treasury stock, and 55,461,522 shares outstanding, and as of December 31, 2019, there were 52,773,617 shares of Class A common stock issued, 2,757,558 shares of treasury stock, and 50,016,059 shares outstanding. The changes in Class A common stock are due primarily to the IPO, 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. 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.

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

As of September 30, 2020, and December 31, 2019, 8,490,938 and 10,397,915 shares of Class B common stock were issued and outstanding, respectively, due primarily to the IPO, offering transactions, and Class B conversions described above.

Treasury Stock

During the nine months ended September 30, 2020 and 2019, the Company repurchased 925,857 and 1,046,490 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 \$33,354 and \$42,073, respectively, in the treasury stock balance on the Company's condensed consolidated statements of changes in equity as of September 30, 2020 and 2019.

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, 2020 and December 31, 2019, partners held 11,051,045 and 12,958,022 Group LP partnership units, respectively, representing a 17% and 21% 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 55,461,522 shares of Class A common stock outstanding at September 30, 2020 (50,016,059 as of December 31, 2019), 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, 2020 and 2019, the Company incurred \$324 and \$413 in aircraft lease costs to be paid to Manager, respectively, and \$972 and \$1,349 for the nine months ended September 30, 2020 and 2019, respectively.

Promissory Notes —As of September 30, 2020, there were \$389 of unsecured promissory notes from employees held by the Company (December 31, 2019: \$189). 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 the nine months ended September 30, 2020 and 2019, the Company received \$0 of principal repayments and recognized interest income of \$9 and \$6, 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 \$65 and \$60 for the three months ended September 30, 2020 and 2019 and \$239 and \$188 for the nine months ended September 30, 2020 and 2019, 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, 2020 and December 31, 2019, the Company had no balances due from Moelis Asset Management LP.

Moelis Australia —As of September 30, 2020 and December 31, 2019, the Company had \$30 and \$0 due from Moelis Australia 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 Moelis Australia for advisory services performed as well as billable expenses incurred by the Company on behalf of Moelis Australia during the period. The relationship between the Company and Moelis Australia is governed by a services agreement.

Revenues —From time to time, the Company enters into advisory transactions with Moelis Asset Management LP and its affiliates. The Company earned revenues associated with such transactions of \$0 for each of the three months ended September 30, 2020 and 2019, and \$0 and \$210 for the nine months ended September 30, 2020 and 2019, respectively.

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. At September 30, 2020, Moelis U.S. had net capital of \$173,163, which was \$172,913 in excess of its required net capital. At December 31, 2019, Moelis U.S. had net capital of \$160,401 which was \$160,151 in excess of its required net capital.

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

At September 30, 2020, the aggregate regulatory net capital of Moelis UK was \$8,280 which exceeded the minimum requirement by \$8,221. At December 31, 2019, the aggregate regulatory net capital of Moelis UK was \$11,978, which exceeded the minimum requirement by \$11,922.

11. COMMITMENTS AND CONTINGENCIES

Bank Line of Credit — In April 2020, the Company renewed its \$65,000 revolving credit facility which extended the maturity date to June 30, 2021. 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, 2022.

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, 2020 and December 31, 2019, the Company had no borrowings under the credit facility.

As of September 30, 2020, the Company's available credit under this facility was \$60,507 as a result of the issuance of an aggregate amount of \$4,493 of various standby letters of credit, which were required in connection with certain office lease and other agreements. The Company incurs a 1% per annum fee on the outstanding balance of issued letters of credit.

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

(\$ in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Supplemental Income Statement Information:				
Operating lease cost	\$ 6,697	\$ 3,970	\$ 19,713	\$ 12,270
Supplemental Cash Flow Information:				
Cash paid for amounts included in the measurement of lease liabilities:				
Net operating cash outflows for operating leases	\$ 5,996	\$ 4,818	\$ 13,840	\$ 14,655
Right-of-use assets obtained in exchange for lease obligations (e.g. new leases and amendments commenced during the period):	\$ 1,589	\$ 6,445	\$ 4,643	\$ 7,617
Other Information				
Weighted-average remaining lease term - operating leases	13.72 years	4.95 years	13.72 years	4.95 years
Weighted-average discount rate - operating leases	3.53 %	4.00 %	3.53 %	4.00 %

The future sublease income and maturities of our operating lease liabilities as of September 30, 2020, are as follows:

Fiscal year ended	Sublease Income	Operating Leases
Remainder of 2020	\$ (215)	\$ 2,986
2021	(860)	19,482
2022	(860)	23,715
2023	(860)	20,484
2024	(860)	18,785
Thereafter	(430)	192,488
Total Payments	<u>\$ (4,085)</u>	<u>\$ 277,940</u>
	Less: Tenant improvement allowances	(21,343)
	Less: Present value adjustment	(63,153)
	Total	<u>\$ 193,444</u>

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, 2020 and 2019, in the amounts of \$713 and \$686, respectively, and \$2,119 and \$2,054 for the nine months ended September 30, 2020 and 2019, 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 the New York City unincorporated business tax (“UBT”) and certain other foreign, state, and local taxes. 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 taxes and effective tax rate were \$8,534 and 17% and \$13,886 and 20%, for the three months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020 and 2019, the Company’s provision for income taxes were a benefit of \$10,195 and expense of \$10,662, respectively, compared with pre-tax operating income of \$52,680 and \$119,204, respectively. The Company’s provision for income taxes included tax benefits recognized in connection with the delivery of equity-based compensation of \$7,353 and \$13,948 for the nine months ended September 30, 2020 and 2019, respectively. In addition, the Company’s provision for the three and nine months ended September 30, 2020 included benefits of \$2,555 and \$16,328, respectively, pursuant to certain tax provisions provided under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) enacted in the United States on March 27, 2020. The CARES Act permits the Company to carry back net operating losses to offset taxable income generated in the five preceding years, some of which were taxed at a federal income tax rate higher than the current enacted rate. The Company has recorded an income tax receivable of \$37,811 within deferred tax asset and income tax receivable on the condensed consolidated statement of financial condition related to the operating losses. As some of the calculated tax benefits relate to deductions subject to the Company’s Tax Receivable Agreement, the Company’s liability pursuant to the Tax Receivable Agreement was also re-measured and the estimated impact was recorded within other income and expenses on the condensed consolidated statement of operations.

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,	
	2020	2019	2020	2019
Revenues:				
United States	\$ 177,774	\$ 191,795	\$ 445,341	\$ 446,721
Europe	22,513	31,729	53,893	54,450
Rest of World	7,317	8,176	22,014	21,835
Total	\$ 207,604	\$ 231,700	\$ 521,248	\$ 523,006
			September 30,	December 31,
			2020	2019
Assets:				
United States		\$ 960,327	\$ 934,654	
Europe		40,579	67,247	
Rest of World		65,015	69,798	
Total		\$ 1,065,921	\$ 1,071,699	

As of September 30, 2020, and December 31, 2019, the Company had deferred revenues of \$7,494 and \$3,023, respectively. These amounts primarily consist of upfront fees and retainers for our services. During the nine months ended September 30, 2020, \$2,354 of revenues were recognized from the opening balance of deferred revenues.

Due to the factors that may delay or terminate a transaction (see Note 2), the Company does not estimate constrained transaction fees for revenue recognition. Quantitative disclosures of constrained variable consideration are not provided for remaining, wholly unsatisfied, performance obligations. These 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 has declared a dividend of \$0.3825 per share to be paid on November 30, 2020 to shareholders of record as of November 6, 2020.

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, 2019.

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. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “intend,” “predict,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties, and assumptions about us, may include projections of our future financial performance, based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. These factors include, among other things, uncertainties associated with the coronavirus (“COVID-19”) pandemic, including the negative effect that the COVID-19 pandemic has had and the significant and adverse effect it is expected to continue to have on our business. 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. In particular, statements herein about the effects of the COVID-19 pandemic on our business, results, financial position and liquidity may constitute forward-looking statements and are subject to the risk that the actual impact may differ, possibly materially, from what is currently estimated. In addition, new risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. 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 20 geographical locations in the Americas, Europe, the Middle East, Asia and Australia, we advise clients around the world on their most critical decisions, including mergers and acquisitions, recapitalizations and restructurings, capital markets and other corporate finance matters. Our ability to provide confidential, independent advisory services to our clients across sectors and regions and through all phases of the business cycle has led to long-term client relationships and a diversified revenue base.

As of September 30, 2020, we served our clients globally with 644 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, 2020 and 2019, referenced throughout this Form 10-Q was obtained from Thomson Financial as of October 4, 2020, and October 4, 2019.

For the first nine months of 2020, we earned revenues of \$521.2 million compared with \$523.0 million earned during the same period in 2019. This compares favorably with a 20% decrease in the number of global completed M&A transactions greater than \$100 million in the same period.

The economic disruption caused by COVID-19 has negatively impacted our results and we caution that COVID-19 continues to add uncertainty to the business environment. More encouragingly, our team of investment banking professionals continues to be very active, providing high quality advice to clients around the globe. In the third quarter of 2020, the M&A market for announced transactions rebounded dramatically from the historic low point that we witnessed during the first half of 2020. In particular, we saw a 10% increase in the number of transactions, and a 32% increase in the volume of announced transactions in the United States, which has historically been the biggest driver of our revenues, and which should result in a more positive business environment in the near to intermediate term. Our announced M&A

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transactions have recovered and the pace and magnitude of our mandates continues to accelerate. In addition, our restructuring activity continues to be very strong as companies across the economy are continuing to experience ongoing financial issues as a result of the business disruption caused by COVID-19. Combined with our capital markets capabilities, which continues to be an important contributor to our business, we are well positioned to provide advice to companies across all sectors on their capital and liquidity needs.

Overall, we feel confident about our market position in each of our businesses, but cannot control or predict the ultimate magnitude of the pandemic, the timing and speed of the economic recovery, and the ultimate impact that it may have on our revenues or profitability.

Operationally, many of our offices are open for our employees to return to the office in compliance with applicable public health requirements and guidelines. A majority of our employees are continuing to work from home at this time. We are confident about the current strength of our franchise and our operational health in this uncertain environment.

Results of Operations

The following is a discussion of our results of operations for the three and nine months ended September 30, 2020 and 2019.

(\$ in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Variance	2020	2019	Variance
Revenues	\$ 207,604	\$ 231,700	-10%	\$ 521,248	\$ 523,006	0%
Expenses:						
Compensation and benefits	127,148	141,697	-10%	371,884	316,343	18%
Non-compensation expenses	28,498	35,720	-20%	90,116	108,872	-17%
Total operating expenses	155,646	177,417	-12%	462,000	425,215	9%
Operating income (loss)	51,958	54,283	-4%	59,248	97,791	-39%
Other income and (expenses)	(1,631)	14,301	N/M	(6,568)	21,413	N/M
Income (loss) before income taxes	50,327	68,584	-27%	52,680	119,204	-56%
Provision (benefit) for income taxes	8,534	13,886	-39%	(10,195)	10,662	N/M
Net income (loss)	\$ 41,793	\$ 54,698	-24%	\$ 62,875	\$ 108,542	-42%

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, 2020 versus 2019

Revenues were \$207.6 million for the three months ended September 30, 2020 as compared with \$231.7 million for the same period in 2019, representing a decrease of 10%. The decrease in revenues was primarily driven by fewer transaction completions and a decrease in average fees earned per completed transaction. COVID-19 has adversely impacted our business and may continue to have a significant and adverse effect on our business, revenues and operating results in the short term.

For the three months ended September 30, 2020 and 2019 we earned revenues from 146 and 116 clients, respectively, and the number of clients generating revenues equal to or greater than \$1 million increased to 43 clients from 42 clients for the same period of 2019.

Nine Months Ended September 30, 2020 versus 2019

Revenues were \$521.2 million for the nine months ended September 30, 2020 as compared with \$523.0 million for the same period in 2019. The nominal decrease in revenues was primarily driven by fewer transaction completions. COVID-19 has adversely impacted our business and may continue to have a significant and adverse effect on our business, revenues and operating results in the short term.

For the nine months ended September 30, 2020 and 2019 we earned revenues from 238 and 203 clients, respectively, and the number of clients generating revenues fees equal to or greater than \$1 million increased to 126 clients from 105 clients for the same period of 2019.

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,		
	2020	2019	Variance	2020	2019	Variance
Expenses:						
Compensation and benefits	\$ 127,148	\$ 141,697	-10%	\$ 371,884	\$ 316,343	18%
<i>% of revenues</i>	61%	61%		71%	60%	
Non-compensation expenses	\$ 28,498	\$ 35,720	-20%	\$ 90,116	\$ 108,872	-17%
<i>% of revenues</i>	14%	15%		17%	21%	
Total operating expenses	\$ 155,646	\$ 177,417	-12%	\$ 462,000	\$ 425,215	9%
<i>% of revenues</i>	75%	77%		89%	81%	

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

Three Months Ended September 30, 2020 versus 2019

Operating expenses were \$155.6 million for the three months ended September 30, 2020 and represented 75% of revenues, compared with \$177.4 million for the same period in 2019 which represented 77% of revenues. The decrease in operating expenses was primarily driven by decreased compensation and benefits expenses.

Nine Months Ended September 30, 2020 versus 2019

Operating expenses were \$462.0 million for the nine months ended September 30, 2020 and represented 89% of revenues, compared with \$425.2 million for the same period in 2019 which represented 81% of revenues. The increase in operating expenses was primarily driven by increased compensation and benefits expenses.

Compensation and Benefits Expenses

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

Our compensation expenses consist of base salary and benefits, annual incentive compensation payable as cash bonus awards, including certain amounts subject to clawback and contingent upon a required period of service (“contingent cash awards”) and amortization of

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

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

Three Months Ended September 30, 2020 versus 2019

For the three months ended September 30, 2020, compensation related expenses of \$127.1 million represented 61% of revenues, compared with \$141.7 million of compensation-related expenses which represented 61% of revenues in the prior year period. The decrease in compensation expenses was primarily related to lower discretionary cash bonus expense driven by our year-to-date cash bonus estimation process combined with lower revenues as compared to the prior year period.

Our fixed compensation costs, which are primarily the sum of base salaries, payroll taxes and benefits and the amortization of previously issued equity and contingent cash awards, were \$85.5 million and \$83.0 million for the three months ended September 30, 2020 and 2019, respectively. The increase in fixed compensation costs was primarily related to increased headcount compared to the prior year period. Discretionary cash bonus expenses, which generally represent the excess amount of total compensation over base compensation and amortization of equity and contingent cash awards, was \$41.6 million and \$58.7 million for the three months ended September 30, 2020 and 2019, respectively. The decrease in discretionary cash bonus expense was primarily related to our year-to-date cash bonus estimation process combined with lower revenues as compared to the prior year period. The combination of the discretionary and fixed compensation expenses represents the overall compensation expense pool.

Nine Months Ended September 30, 2020 versus 2019

For the nine months ended September 30, 2020, compensation related expenses of \$371.9 million represented 71% of revenues, compared with \$316.3 million which represented 60% of revenues in the prior year period. The increase in compensation expenses was primarily related to higher discretionary cash bonus expense driven by our year-to-date cash bonus estimation process in 2020 versus 2019.

Our fixed compensation costs, which are primarily the sum of base salaries, payroll taxes and benefits and the amortization of previously issued equity and contingent cash awards, were \$258.8 million and \$252.3 million for the nine months ended September 30, 2020 and 2019, respectively. The increase in fixed compensation costs was primarily related to increased headcount as compared to the prior year period. Discretionary cash bonus expenses, which generally represents the excess amount of total compensation over base compensation and amortization of equity and contingent cash awards, was \$113.1 million and \$64.0 million for the nine months ended September 30, 2020 and 2019, respectively. The increase in discretionary cash bonus expense was primarily related to our year-to-date cash bonus estimation process in 2020 versus 2019. The combination of the discretionary and fixed compensation expenses represents the overall compensation expense pool.

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

Three Months Ended September 30, 2020 versus 2019

For the three months ended September 30, 2020, non-compensation expenses of \$28.5 million represented 14% of revenues, compared with \$35.7 million which represented 15% of revenues in the prior year period. The decrease in non-compensation expenses was primarily related to decreased travel and other business development expenses related to COVID-19 social distancing restrictions, in addition to our continued and focused expense discipline.

Nine Months Ended September 30, 2020 versus 2019

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For the nine months ended September 30, 2020, non-compensation expenses of \$90.1 million represented 17% of revenues, compared with \$108.9 million which represented 21% of revenues in the prior year period. The decrease in non-compensation expenses was primarily related to decreased travel and other business development expenses related to COVID-19 social distancing restrictions, in addition to our continued and focused expense discipline.

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, 2020 versus 2019

Other income and expenses were an expense of \$1.6 million and income of \$14.3 million for the three months ended September 30, 2020 and 2019, respectively. The expense of \$1.6 million for the three months ended September 30, 2020 is primarily related to an adjustment to the amounts due pursuant to the Company's Tax Receivable Agreement in connection with the CARES Act. The prior year period includes a gain of \$12.6 million related to the sale of 12.5 million shares of Moelis Australia common stock.

Nine Months Ended September 30, 2020 versus 2019

Other income and expenses were an expense of \$6.6 million and income of \$21.4 million for the nine months ended September 30, 2020 and 2019, respectively. The expense of \$6.6 million for the nine months ended September 30, 2020 is primarily related to an adjustment to the amounts due pursuant to the Company's Tax Receivable Agreement in connection with the CARES Act. The prior year period includes a gain of \$12.6 million related to the sale of 12.5 million shares of Moelis Australia common stock.

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. 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, 2020 versus 2019

The Company's provision for income taxes and effective tax rates were \$8.5 million and 17%, and \$13.9 million and 20%, for the three months ended September 30, 2020 and 2019, 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. For the three months ended September 30, 2020, the income tax provision includes \$2.6 million of tax benefit in connection with the loss carryback provisions provided under the CARES Act. The Company's liability pursuant to Tax Receivable Agreement was also re-measured as a result of the benefit in connection with the CARES Act and the estimated impact was recorded within other income and expenses on the condensed consolidated statement of operations.

Nine Months Ended September 30, 2020 versus 2019

For the nine months ended September 30, 2020 and 2019, the Company's provision for income taxes were a benefit of \$10.2 million and expense of \$10.7 million, respectively, compared to pre-tax operating results of \$52.7 million and \$119.2 million, respectively. The income tax provision for the aforementioned periods primarily reflect the Company's allocable share of earnings from Group LP at the prevailing U.S. federal, state, and local corporate income tax rate. For the nine months ended September 30, 2020, the income tax provision includes \$7.4 million of excess tax benefit recognized in connection with the delivery of equity-based compensation at an appreciated price above the grant date price. In addition, the tax benefit for the nine months ended September 30, 2020 included \$16.3 million of tax benefit in connection with the loss carryback provisions provided under the CARES Act. The Company's liability pursuant to Tax Receivable Agreement was also re-measured as a result of the benefit in connection with the CARES Act and the estimated impact was recorded within other income and expenses on the condensed consolidated statement of operations.

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, 2020 and December 31, 2019, the Company had cash equivalents of \$39.5 million and \$96.0 million, respectively, invested in U.S. Treasury instruments and government securities money market. Additionally, as of September 30, 2020 and December 31, 2019, the Company had cash of \$46.0 million and \$71.8 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, 2020 and December 31, 2019, the Company held \$180.8 million and \$174.0 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, 2020 and December 31, 2019 accounts receivable were \$65.3 million and \$45.1 million, respectively, net of allowances of \$4.5 million and \$4.1 million, respectively.

To provide for additional working capital and other general corporate purposes, we maintain a \$65.0 million revolving credit facility that matures on September 30, 2020. In April 2020, the Company renewed its \$65.0 million revolving credit facility which extended the maturity date to June 30, 2021. 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, 2020, the Company had no borrowings under the credit facility.

As of September 30, 2020, the Company’s available credit under this facility was \$60.5 million as a result of the issuance of an aggregate amount of \$4.5 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.

The Board of Directors of Moelis & Company declared a dividend of \$0.3825 per share to be paid on November 30, 2020 to Class A common shareholders of record on November 6, 2020. During the nine months ended September 30, 2020 the Company paid aggregate dividends of \$1.77 per share, which included a special dividend of \$0.75 per share and regular quarterly dividends of \$1.02 per share.

In February 2019, the Board of Directors authorized the repurchase of up to \$100 million of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date. This new authorization replaced the former repurchase program and the remaining authorization under the program was eliminated. During the nine months ended September 30, 2020 and 2019, the Company repurchased 925,857 and 1,046,490 shares, respectively, pursuant to the Company’s share repurchase program and shares repurchased from its employees for the purpose of settling tax liabilities upon delivery of equity-based compensation awards. The remaining balance of shares authorized for repurchase under the program was \$80.9 million as of September 30, 2020.

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, 2020 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.

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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	
	2020	2019
Cash Provided By (Used In)		
Operating Activities:		
Net income (loss)	\$ 62,875	\$ 108,542
Non-cash charges	105,146	96,891
Other operating activities	(64,580)	(196,697)
Total operating activities	103,441	8,736
Investing Activities	(38,890)	(8,999)
Financing Activities	(144,302)	(212,329)
Effect of exchange rate changes	(2,672)	463
Net increase (decrease) in cash	(82,423)	(212,129)
Cash, cash equivalents, and restricted cash, beginning of period	168,572	261,771
Cash, cash equivalents, and restricted cash, end of period	\$ 86,149	\$ 49,642

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.

Nine months ended September 30, 2019

Cash, cash equivalents and restricted cash were \$49.6 million at September 30, 2019, a decrease of \$212.1 million from \$261.8 million at December 31, 2018. Operating activities resulted in a net inflow of \$8.7 million primarily attributable to cash collected from clients net of operating expenses, offset by discretionary bonuses paid during the period. Investing activities resulted in a net outflow of \$9.0 million primarily attributable to net purchases of investments partially offset by proceeds from the sale of shares of Moelis Australia. Financing activities resulted in a net outflow of \$212.3 million primarily related to the payment of dividends and tax distributions and treasury stock buybacks.

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of September 30, 2020:

(\$ in thousands)	Payment Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating leases (net of \$4,085 of committed sublease income)	\$ 273,855	\$ 17,120	\$ 42,267	\$ 34,358	\$ 180,110
Amount due pursuant to Tax Receivable Agreement	323,312	22,010	52,364	38,945	209,993
Total	\$ 597,167	\$ 39,130	\$ 94,631	\$ 73,303	\$ 390,103

As of September 30, 2020, the Company has a total payable of \$323.3 million due pursuant to the tax receivable agreement in the condensed consolidated financial statements which represents management’s best estimate of the amounts currently expected to be owed under the tax receivable agreement. Payments made under the tax receivable agreement are required to be made within 225 days of the filing of our tax returns. We generally expect to receive the tax savings prior to making the cash payments to the eligible selling holders of Group LP partnership units, so we do not expect the cash payments to have a material impact on our liquidity. There were no payments made pursuant to the tax receivable agreement during the first nine months of 2020.

Off-Balance Sheet Arrangements

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

Market Risk and Credit Risk

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

Risks Related to Cash and Short-Term Investments

Our cash and cash equivalents include all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less from the date of purchase. We invest most of our cash in highly-rated municipal bonds, U.S. government agency debt securities and U.S. treasury instruments. Cash is maintained in U.S. and non-U.S. bank accounts. Most U.S. and U.K. account balances exceed the FDIC and FSCS coverage limits. In addition to cash and cash equivalents, we hold various types of U.S. treasury instruments 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 may be affected by movements in the rate of exchange between the pound sterling, euro, Brazilian real, Hong Kong dollar, rupee and the U.S. dollar, in which our financial statements are denominated. For the three months ended September 30, 2020 and 2019, the net impact of the fluctuation of foreign currencies in other comprehensive income (loss) in the condensed statements of comprehensive income were losses of \$0.5 million and \$0.3 million, respectively, and a loss of \$2.2 and a gain of \$0.2 million for the nine months ended September 30, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, no such amounts were recorded.

Leases

The Company maintains operating leases for corporate offices and an aircraft. The Company determines if a contract contains a lease at inception. Operating leases are recorded as right-of-use (“ROU”) assets and lease liabilities on the 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.

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

Except as set forth below, 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, 2019 as filed with the Securities and Exchange Commission ("SEC").

The scale, scope and duration of the impact of the COVID-19 pandemic on our business are unpredictable and depend on a number of factors outside of our control. We cannot reasonably predict the magnitude of the ultimate impact that COVID-19 will have on us and the impact may have a sustained material adverse effect on our business, revenues, operating results and financial condition.

The rapid, worldwide spread of a novel strain of coronavirus ("COVID-19") has created global economic disruption and uncertainty. COVID-19 has adversely impacted our business and is expected to continue to have a significant and adverse effect on our business, revenues and operating results in the short term. The scale, scope and duration of the impact of the COVID-19 pandemic are unpredictable. The negative impact of COVID-19 on our business may be sustained, increase in significance and affect us in ways we cannot foresee at this time.

As a financial services firm, we are materially affected by conditions in the global financial markets and economic conditions throughout the world. During periods of unfavorable market or economic conditions, including current market conditions, the volume and value of M&A transactions decreases, thereby reducing the demand for our M&A advisory services and increasing price competition among financial services companies seeking such engagements. At the outset of COVID-19, M&A transactions were generally put on hiatus and fewer new transactions were launching due to market volatility and uncertainty caused by COVID-19. In this most recent quarter, our announced transactions have recovered, but given the uncertainty and volatility in the world caused by COVID-19 and other geopolitical factors, the environment may be more fragile than usual. Our results of operations were adversely affected by the reduction in the volume in transactions in the first half of the year and if the reduction in volume returns or there is a reduction in the value of completed transactions, our results of operations will be adversely affected. Further, in the period following an economic downturn, the volume and value of M&A transactions typically takes time to recover and lags a recovery in market and economic conditions. Our profitability has been adversely affected in the short term due to COVID-19 and may be impacted for a sustained period if we determine not to, or are unable to, scale back fixed and other costs within a time frame sufficient to match decreases in revenue relating to changes in market and economic conditions. We believe COVID-19's adverse impact will also be significantly driven by other factors that are beyond our control, including, for example: the timing, scope and effectiveness of additional governmental responses to the pandemic; medical advancements providing treatments for COVID-19, the timing and speed of economic recovery; and the impact on our clients' willingness to transact in a sustained uncertain environment.

We have implemented various initiatives to reduce the impact of COVID-19, such as supporting the ability for all of our employees working remotely from home, while seeking to maintain business continuity. We face various cybersecurity and other operational risks related to our business on a day to day basis, which are heightened by COVID-19. We rely heavily on financial, accounting, communication and other information technology systems, including, without limitation, cloud based information technology systems, and the people who operate them. These systems, including the systems of third parties on whom we rely, may experience a disruption as a result of COVID-19 or increased cybersecurity threats. If we were unable to timely and successfully recover, that could materially disrupt our business and cause material financial loss, regulatory actions, reputational harm or legal liability. An extended period of remote working by our employees could strain our technology resources and introduce operational risks, including heightened cybersecurity risk. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID-19 pandemic. COVID-19 presents a threat to our employees' well-being. As shelter-in-place restrictions have been lifted, we have implemented plans for our employees' return to office. These plans need to comply with federal, state and local regulations and take into account local conditions, which may result in increased operational and compliance costs. There is no guarantee that the measures implemented will protect the health of our employees and could negatively impact employee sentiment and productivity. While we have implemented a business continuity plan to protect the health of our employees, such plans cannot anticipate all scenarios, and we may experience a potential loss of productivity.

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

None.

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	2,631	\$ 29.87	—	\$ 80.9 million
August 1 - August 31	26,444	29.93	—	80.9 million
September 1 - September 30	2,384	33.98	—	80.9 million
Total	31,459	\$ 30.23	—	\$ 80.9 million

Issuer Purchases of Equity Securities

- (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.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)
10.1	Master Services Agreement by and between Moelis & Company Group LP, Moelis Asset Management LP and certain subsidiaries of Moelis Asset Management LP (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K filed on February 26, 2020)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer of the Registrant in accordance with Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Rule 13a-14(a) Certification of Chief Financial Officer of the Registrant in accordance with Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Section 1350 Certification of Chief Executive Officer of the Registrant in accordance with Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Section 1350 Certification of Chief Financial Officer of the Registrant in accordance with Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained Exhibit 101)

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

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, 2020.

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, 2020, 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, 2020

/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, 2020, 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, 2020

/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, 2020 (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, 2020

/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, 2020 (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, 2020

/s/ Joseph Simon
Joseph Simon
Chief Financial Officer