

PJT Partners Inc.  
Form 10-Q  
August 12, 2016

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 JUNE 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001-36869

PJT Partners Inc.

(Exact name of Registrant as specified in its charter)

Delaware 36-4797143  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

280 Park Avenue

New York, New York 10017

(Address of principal executive offices)(Zip Code)

(212) 364-7800

(Registrant's telephone number, including area code)

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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 August 4, 2016, there were 17,966,456 shares of Class A common stock, par value \$0.01 per share, and 302 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

PJT Partners Inc.

## Condensed Consolidated and Combined Statements of Financial Condition (Unaudited)

(Dollars in Thousands, Except Share and Per Share Data)

|  | June 30,<br>2016  | December 31,<br>2015 |
|--|-------------------|----------------------|
| <b>Assets</b>  |                   |                      |
| Cash and Cash Equivalents  | \$ 103,200        | \$ 82,322            |
| Restricted Cash  | —                 | 827                  |
| Accounts Receivable (net of allowance for doubtful accounts of \$2,173 and<br>\$862 at June 30, 2016 and December 31, 2015, respectively)  | 184,585           | 169,590              |
| Intangible Assets, Net   | 18,014            | 23,646               |
| Goodwill   | 72,286            | 75,769               |
| Furniture, Equipment and Leasehold Improvements, Net   | 37,047            | 31,490               |
| Other Assets   | 26,211            | 14,920               |
| Deferred Tax Assets  | 74,043            | 68,688               |
| <b>Total Assets</b>  | <b>\$ 515,386</b> | <b>\$ 467,252</b>    |
| <b>Liabilities, Redeemable Non-Controlling Interests and Equity</b>  |                   |                      |
| Accrued Compensation and Benefits  | \$ 78,960         | \$ 81,221            |
| Accounts Payable, Accrued Expenses and Other Liabilities   | 29,147            | 29,533               |
| Deferred Rent Liability  | 17,042            | 12,414               |
| Taxes Payable  | 878               | 1,672                |
| Deferred Revenue   | 5,159             | 477                  |
| <b>Total Liabilities</b>   | <b>131,186</b>    | <b>125,317</b>       |
| <b>Commitments and Contingencies</b>   |                   |                      |
| Redeemable Non-Controlling Interests   | 298,785           | 309,855              |
| <b>Equity</b>  |                   |                      |
| Class A Common Stock, par value \$0.01 per share (3,000,000,000 shares<br>authorized; 17,966,456 issued and outstanding at June 30, 2016;<br>17,966,456 issued and outstanding at December 31, 2015) | 180               | 180                  |
| Class B Common Stock, par value \$0.01 per share (1,000,000 shares<br>authorized; 302 issued and outstanding at June 30, 2016;<br>300 issued and outstanding at December 31, 2015)                   | —                 | —                    |
| <b>Additional Paid-In Capital</b>  | <b>97,825</b>     | <b>43,132</b>        |

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|   |           |            |
|---|-----------|------------|
| Retained Deficit  | (13,114 ) | (11,184 )  |
| Accumulated Other Comprehensive Income (Loss)           | 524       | (48 )      |
| Total Equity  | 85,415    | 32,080     |
| Total Liabilities, Redeemable Non-Controlling Interests |           |            |
| and Equity  | \$515,386 | \$ 467,252 |

See notes to condensed consolidated and combined financial statements.



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PJT Partners Inc.

Condensed Consolidated and Combined Statements of Operations (Unaudited)

(Dollars in Thousands, Except Share and Per Share Data)

|  | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                    |
|--|--------------------------------|-------------------|------------------------------|--------------------|
|  | 2016                           | 2015              | 2016                         | 2015               |
| <b>Revenues</b>  |                                |                   |                              |                    |
| Advisory Fees  | \$59,078                       | \$46,592          | \$140,632                    | \$105,266          |
| Placement Fees   | 28,652                         | 25,189            | 60,603                       | 48,323             |
| Interest Income and Other                              | 1,554                          | 688               | 3,353                        | 1,205              |
| <b>Total Revenues</b>                                  | <b>89,284</b>                  | <b>72,469</b>     | <b>204,588</b>               | <b>154,794</b>     |
| <b>Expenses</b>  |                                |                   |                              |                    |
| Compensation and Benefits                              | 71,964                         | 60,125            | 160,135                      | 139,760            |
| Occupancy and Related                                  | 6,622                          | 8,762             | 13,040                       | 14,044             |
| Travel and Related                                     | 2,802                          | 3,055             | 5,547                        | 6,359              |
| Professional Fees                                      | 6,691                          | 3,007             | 10,187                       | 5,536              |
| Communications and Information Services                | 2,647                          | 1,761             | 4,700                        | 3,167              |
| Depreciation and Amortization                          | 4,025                          | 1,508             | 7,926                        | 3,035              |
| Other Expenses   | 4,788                          | 690               | 10,575                       | 4,021              |
| <b>Total Expenses</b>                                  | <b>99,539</b>                  | <b>78,908</b>     | <b>212,110</b>               | <b>175,922</b>     |
| Loss Before Provision (Benefit) for Taxes              | (10,255 )                      | (6,439 )          | (7,522 )                     | (21,128 )          |
| Provision (Benefit) for Taxes                          | (5,539 )                       | 584               | (4,237 )                     | 2,002              |
| <b>Net Loss</b>  | <b>(4,716 )</b>                | <b>\$(7,023 )</b> | <b>(3,285 )</b>              | <b>\$(23,130 )</b> |
| <b>Net Loss Attributable to Redeemable</b>             |                                |                   |                              |                    |
| Non-Controlling Interests                              | (4,393 )                       |                   | (3,217 )                     |                    |
| <b>Net Loss Attributable to PJT Partners Inc.</b>      | <b>\$(323 )</b>                |                   | <b>\$(68 )</b>               |                    |
| <b>Net Loss Per Share of Class A Common</b>            |                                |                   |                              |                    |
| Stock — Basic and Diluted                              | \$(0.02 )                      |                   | \$(0.00 )                    |                    |
| <b>Weighted-Average Shares of Class A Common Stock</b> |                                |                   |                              |                    |
| Outstanding — Basic and Diluted                        | 18,264,742                     |                   | 18,263,365                   |                    |
| <b>Dividends Declared Per Share of Class A</b>         |                                |                   |                              |                    |
| Common Stock   | \$0.05                         |                   | \$0.10                       |                    |
| <b>Revenues Earned from Affiliates</b>                 |                                |                   |                              |                    |
| Advisory Fees  | \$—                            | \$960             | \$—                          | \$3,410            |
| Placement Fees   | \$—                            | \$10,300          | \$—                          | \$11,368           |

See notes to condensed consolidated and combined financial statements.



PJT Partners Inc.

Condensed Consolidated and Combined Statements of Comprehensive Income (Loss) (Unaudited)

(Dollars in Thousands)

|   | Three Months<br>Ended<br>June 30, |           | Six Months Ended<br>June 30, |            |
|---|-----------------------------------|-----------|------------------------------|------------|
|   | 2016                              | 2015      | 2016                         | 2015       |
| Net Loss  | \$(4,716)                         | \$(7,023) | \$(3,285)                    | \$(23,130) |
| Other Comprehensive Income (Loss), Net of Tax — |                                   |           |                              |            |
| Currency Translation Adjustment                 | 436                               | (255 )    | 572                          | 828        |
| Comprehensive Loss                              | (4,280)                           | \$(7,278) | (2,713)                      | \$(22,302) |
| Less  |                                   |           |                              |            |
| Comprehensive Loss Attributable to Redeemable   |                                   |           |                              |            |
| Non-Controlling Interests                       | (4,124)                           |           | (2,884)                      |            |
| Comprehensive Income (Loss) Attributable to     |                                   |           |                              |            |
| PJT Partners Inc.                               | \$(156 )                          |           | \$171                        |            |

See notes to condensed consolidated and combined financial statements.

PJT Partners Inc.

Condensed Consolidated and Combined Statements of Changes in Equity (Unaudited)

(Dollars in Thousands, Except Share Data)

|  | Shares     | Class   |         |         |           | Additional  | Retained      | Accumulated | Former     | Redeemable  |             |
|--|------------|---------|---------|---------|-----------|-------------|---------------|-------------|------------|-------------|-------------|
|  | Class A    | Class B | Class A | Class B | Paid-In   | Deficit     | Other         | Parent      | Company    | Non-        | Controlling |
|  | Common     | Common  | Common  | Common  | Capital   |             | Comprehe      | Investment  | Total      | Controlling | Interests   |
|  | Stock      | Stock   | Stock   | Stock   |           |             | Income (Loss) |             |            | Interests   |             |
| Balance at December 31, 2014                     | —          | —       | \$ —    | \$ —    | \$ —      | \$ —        | \$ 1,010      | \$ 331,310  | \$ 332,320 | \$ —        |             |
| Net Loss   | —          | —       | —       | —       | —         | —           | —             | (23,130 )   | (23,130 )  | —           |             |
| Currency Translation Adjustment                  | —          | —       | —       | —       | —         | —           | 828           | —           | 828        | —           |             |
| Net Decrease in Former Parent Company Investment | —          | —       | —       | —       | —         | —           | —             | (26,165 )   | (26,165 )  | —           |             |
| Balance at June 30, 2015                         | —          | —       | \$ —    | \$ —    | \$ —      | \$ —        | \$ 1,838      | \$ 282,015  | \$ 283,853 | \$ —        |             |
| Balance at December 31, 2015                     | 17,966,456 | 300     | \$ 180  | \$ —    | \$ 43,132 | \$ (11,184) | \$ (48 )      | \$ —        | \$ 32,080  | \$ 309,855  |             |
| Net Loss   | —          | —       | —       | —       | —         | (68 )       | —             | —           | (68 )      | (3,217 )    |             |
| Currency Translation Adjustment                  | —          | —       | —       | —       | —         | —           | 572           | —           | 572        | —           |             |
| Dividends  | —          | —       | —       | —       | —         | (1,862 )    | —             | —           | (1,862 )   | —           |             |
| Non-Cash Contributions from Former Parent        | —          | —       | —       | —       | 4,061     | —           | —             | —           | 4,061      | —           |             |
| Equity-Based Compensation Forfeiture             | —          | —       | —       | —       | 23,937    | —           | —             | —           | 23,937     | 18,225      |             |
| Liability for Equity Awards                      | —          | —       | —       | —       | 653       | —           | —             | —           | 653        | —           |             |
|  | —          | —       | —       | —       | —         | —           | —             | —           | —          | (36 )       |             |

|  |            |      |        |      |          |            |        |     |          |           |
|--|------------|------|--------|------|----------|------------|--------|-----|----------|-----------|
| Net Share Settlement   |            |      |        |      |          |            |        |     |          |           |
| Issuance of Shares of Class B Common                             |            |      |        |      |          |            |        |     |          |           |
| Stock  | —          | 4    | —      | —    | (3,401 ) | —          | —      | —   | (3,401 ) | 3,401     |
| Forfeitures of Shares of Class B Common                          |            |      |        |      |          |            |        |     |          |           |
| Stock  | —          | (2 ) | —      | —    | 1,511    | —          | —      | —   | 1,511    | (1,511 )  |
| Adjustment of Redeemable Non-Controlling Interests to Redemption |            |      |        |      |          |            |        |     |          |           |
| Value  | —          | —    | —      | —    | 27,932   | —          | —      | —   | 27,932   | (27,932 ) |
| Balance at June 30, 2016   | 17,966,456 | 302  | \$ 180 | \$ — | \$97,825 | \$(13,114) | \$ 524 | \$— | \$85,415 | \$298,785 |

See notes to condensed consolidated and combined financial statements.

PJT Partners Inc.

Condensed Consolidated and Combined Statements of Cash Flows (Unaudited)

(Dollars in Thousands)

|  | Six Months Ended |                 |
|--|------------------|-----------------|
|  | June 30,         |                 |
|  | 2016             | 2015            |
| <b>Operating Activities</b>  |                  |                 |
| Net Loss   | \$(3,285 )       | \$(23,130)      |
| <b>Adjustments to Reconcile Net Loss to Net Cash Provided by</b>     |                  |                 |
| <b>Operating Activities</b>  |                  |                 |
| Equity-Based Compensation Expense                                    | 42,185           | 19,345          |
| Depreciation Expense   | 2,342            | 1,709           |
| Amortization Expense   | 5,584            | 1,326           |
| Bad Debt Expense (Recovery)  | 1,185            | (740 )          |
| Foreign Currency Transaction Gains                                   | (320 )           | —               |
| Deferred Taxes   | (1,750 )         | —               |
| Other Non-Cash Amounts Included in Net Loss                          | —                | (365 )          |
| <b>Cash Flows Due to Changes in Operating Assets and Liabilities</b> |                  |                 |
| Accounts Receivable  | (16,211 )        | 29,912          |
| Receivable from Affiliates   | —                | (8,273 )        |
| Due from Blackstone  | —                | 2,750           |
| Deferred Tax Assets  | (228 )           | —               |
| Other Assets   | (11,853 )        | (3,447 )        |
| Accrued Compensation and Benefits                                    | (815 )           | 46,127          |
| Accounts Payable, Accrued Expenses and Other Liabilities             | 4,641            | 10,048          |
| Deferred Rent Liability  | 5,049            | 2,187           |
| Taxes Payable  | (795 )           | 2               |
| Deferred Revenue   | 4,679            | (57 )           |
| <b>Net Cash Provided by Operating Activities</b>                     | <b>30,408</b>    | <b>77,394</b>   |
| <b>Investing Activities</b>  |                  |                 |
| Proceeds from Repayment of Note Issued to Employee                   | 538              | —               |
| Purchases of Furniture, Equipment and Leasehold Improvements         | (8,716 )         | —               |
| Change in Restricted Cash  | 800              | —               |
| <b>Net Cash Used in Investing Activities</b>                         | <b>(7,378 )</b>  | <b>—</b>        |
| <b>Financing Activities</b>  |                  |                 |
| Dividends  | (1,862 )         | —               |
| Principal Payments on Capital Lease Obligations                      | (6 )             | —               |
| Employee Taxes Paid for Shares Withheld for Taxes                    | (36 )            | —               |
| Net Decrease from Former Parent Company Investment                   | —                | (45,146)        |
| <b>Net Cash Used in Financing Activities</b>                         | <b>(1,904 )</b>  | <b>(45,146)</b> |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents         | (248 )           | —               |
| <b>Net Increase in Cash and Cash Equivalents</b>                     | <b>20,878</b>    | <b>32,248</b>   |
| Cash and Cash Equivalents, Beginning of Period                       | 82,322           | 38,533          |

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|   |            |           |
|---|------------|-----------|
| Cash and Cash Equivalents, End of Period                    | \$ 103,200 | \$ 70,781 |
| Supplemental Disclosure of Cash Flows Information           |            |           |
| Payments for Income Taxes, including those to Former Parent | \$ 3,886   | \$ 1,148  |
| Supplemental Disclosure of Significant Non-Cash Activities  |            |           |
| Non-Cash Contributions from Former Parent                   | \$ 4,061   | \$ —      |

See notes to condensed consolidated and combined financial statements.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

## 1. ORGANIZATION

On October 7, 2014, the board of directors of the general partner of The Blackstone Group L.P. (the “former Parent” or “Blackstone”) approved a plan to separate Blackstone’s strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses from Blackstone and combine the separated business with PJT Capital (as defined below) to form PJT Partners (“PJT Partners” or the “Company”), which separation occurred on October 1, 2015.

On October 1, 2015, Blackstone distributed on a pro rata basis to its common unitholders all of the issued and outstanding shares of Class A common stock of PJT Partners Inc. held by it. This pro rata distribution is referred to as the “Distribution.” The separation of the PJT Partners business from Blackstone and related transactions, including the Distribution, the internal reorganization that preceded the Distribution and the acquisition by PJT Partners of PJT Capital LP (together with its general partner and their respective subsidiaries, “PJT Capital”) that occurred substantially concurrently with the Distribution, is referred to as the “spin-off.”

The spin-off, including the consummation of the acquisition of PJT Capital and the Distribution is described in Note 3. “Reorganization and Spin-off” and information regarding the Class A and Class B common stock issued in connection with the spin-off and Redeemable Non-Controlling Interests is described in Note 11. “Stockholders’ Equity” in the “Notes to Consolidated and Combined Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. As of June 30, 2016, there were 17,966,456 and 302 shares, respectively, of Class A common stock and Class B common stock issued and outstanding.

Following the spin-off, PJT Partners Inc. became the sole general partner of PJT Partners Holdings LP. PJT Partners Inc. owns less than 100% of the economic interest in PJT Partners Holdings LP, but has 100% of the voting power and controls the management of PJT Partners Holdings LP. As of June 30, 2016, the non-controlling interest was 47.2%.

PJT Partners delivers a wide array of strategic advisory, restructuring and special situations and private fund advisory and placement services to corporations, financial sponsors, institutional investors and governments around the world. The Company offers a balanced portfolio of advisory services designed to help its clients realize major corporate milestones and solve complex issues. Also, through the Park Hill Group, the Company provides private fund advisory and placement services for alternative investment managers, including private equity funds, real estate funds and hedge funds.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The Company prepared the accompanying unaudited condensed consolidated and combined financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the instructions to Form 10-Q. The condensed consolidated and combined financial



statements, including these notes, are unaudited and exclude some of the disclosures required in audited financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated and combined financial statements are presented fairly and that estimates made in preparing its condensed consolidated and combined financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated and combined financial statements should be read in conjunction with the audited consolidated and combined financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC. For a comprehensive disclosure of the Company's significant accounting policies, see Note 2. "Summary of Significant Accounting Policies" in the "Notes to Consolidated and Combined Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

As the sole general partner of PJT Partners Holdings LP, PJT Partners Inc. operates and controls all of the business and affairs and consolidates the financial results of PJT Partners Holdings LP and its subsidiaries. The Company operates through the following subsidiaries: PJT Partners LP, Park Hill Group LLC, PJT Partners (UK) Limited and PJT Partners (HK) Limited.

The Company did not operate as an independent, stand-alone entity for all periods included in these condensed consolidated and combined financial statements. Prior to the spin-off on October 1, 2015, the Company's operations were included in Blackstone's results as they were historically managed as part of Blackstone, in conformity with GAAP. For periods prior to October 1, 2015, the accompanying condensed consolidated and combined financial statements were prepared on a stand-alone basis and were derived from the consolidated financial statements and accounting records of Blackstone. Prior to October 1, 2015, the condensed consolidated and combined financial statements included certain assets that were historically held at the Blackstone corporate level but were specifically identifiable or otherwise attributable to these financial statements, primarily goodwill and intangible assets. Additionally prior to October 1, 2015, Blackstone's net investment in PJT Partners is shown as Former Parent Company Investment in lieu of Stockholders' Equity in the condensed consolidated and combined financial statements.

All intercompany transactions have been eliminated for all periods presented.

The Condensed Consolidated and Combined Statements of Operations reflect intercompany expense allocations made to the Company by Blackstone for certain corporate functions and for shared services provided by Blackstone prior to October 1, 2015. Where possible, these allocations were made on a specific identification basis and, in other cases, these expenses were allocated by Blackstone based on a pro rata basis of headcount, usage or some other basis depending on the nature of the allocated cost. Expenses without a specific consumption based indicator were allocated based on revenues adjusted for factors such as the size and complexity of the business. See Note 10. "Transactions with Related Parties" for further information on expenses allocated by Blackstone.

Both the Company and Blackstone consider the basis on which the expenses were previously allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by the Company during the periods presented prior to October 1, 2015. The allocations may not, however, reflect the expense the Company would have incurred as an independent, publicly traded company for the periods presented. Actual costs that may have been incurred if PJT Partners had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, which functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. Following the spin-off, the Company has been performing these functions using its own resources or purchased services. For an interim period, however, some of these functions may continue to be provided by Blackstone, pursuant to a transition services agreement for a period of 24 months with the option for Blackstone or the Company to terminate any given service with 60 days' notice. See Note 10. "Transactions with Related Parties" for further information on services provided by Blackstone to the Company for the three and six months ended June 30, 2016.

The Company changed the presentation of certain prior year financial statement amounts to conform to the current year presentation. Previously, the Company reported Interest Income and Other Revenue in separate financial statement captions and combined Depreciation and Amortization Expense with Other Expenses. These changes in presentation had no effect on Net Income (Loss).



PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

During the second quarter of 2016, a misstatement was identified in the accounting for certain partnership interests in PJT Partners Holdings LP, which resulted in a reclassification from Redeemable Non-Controlling Interests to Retained Deficit and Additional Paid-In Capital. In accordance with Accounting Standards Codification (“ASC”) Topic 250, Accounting Changes and Error Corrections, the Company evaluated the materiality of the misstatement from quantitative and qualitative perspectives, and concluded that it was immaterial to the prior periods. Consequently, the Company revised the historical consolidated financial information presented herein. The immaterial restatement resulted in a reduction in Retained Deficit and an increase in Additional Paid-In Capital of \$99.8 million and \$43.1 million, respectively, and a decrease in Redeemable Non-Controlling Interests of \$142.9 million in the Company’s Condensed Consolidated and Combined Statements of Financial Condition and Statements of Changes in Equity as of December 31, 2015. This immaterial restatement had no impact in the Company’s Condensed Consolidated and Combined Statements of Operations and Statements of Cash Flows.

#### Contingencies and Litigation

The Company records loss contingencies if (a) information available prior to issuance of the condensed consolidated and combined financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the condensed consolidated and combined financial statements, and (b) the amount of loss can be reasonably estimated. If one or both criteria for accrual are not met, but there is at least a reasonable possibility that a loss will occur, the Company does not record an accrual for a loss contingency but describes the contingency and provides detail, when possible, of the estimated potential loss or range of loss. If an estimate cannot be made, a statement to that effect is made. Costs incurred with defending matters are expensed as incurred. Accruals related to loss contingencies are recorded in Other Expenses in the Condensed Consolidated and Combined Statements of Operations.

#### Insurance Reimbursements

Receipts from insurance reimbursements up to the amount of the losses recognized are considered recoveries. These recoveries are accounted for when they are probable of receipt. Insurance recoveries are not recognized prior to the recognition of the related loss. Any receivable for insurance recoveries is recorded separately from the corresponding liability, and only if recovery is determined to be probable and reasonably estimable. Insurance reimbursements are recorded in Other Expenses in the Condensed Consolidated and Combined Statements of Operations.

#### Recent Accounting Developments

In June 2014, the Financial Accounting Standards Board (“FASB”) issued amended guidance on revenue from contracts with customers. The guidance requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. The guidance introduces new qualitative and

quantitative disclosure requirements about contracts with customers including revenue and impairments recognized, disaggregation of revenue and information about contract balances and performance obligations. Information is required about significant judgments and changes in judgments in determining the timing of satisfaction of performance obligations and determining the transaction price and amounts allocated to performance obligations. Additional disclosures are required about assets recognized from the costs to obtain or fulfill a contract. As originally proposed, the guidance was effective prospectively for annual periods beginning after December 15, 2016 including interim periods within that reporting period. In recent re-deliberations, the FASB approved a one-year deferral of the effective date of this guidance, such that it will be effective for annual reporting periods beginning after December 31, 2017, with early adoption permitted for annual periods beginning

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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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after December 15, 2016. The Company is currently evaluating the impact of the new guidance and the method of adoption on the condensed consolidated and combined financial statements.

In September 2015, the FASB issued guidance on measurement-period adjustments with respect to business combinations. The amendments apply to entities that have reported provisional amounts for items in a business combination for which the accounting is incomplete by the end of the reporting period in which the combination occurs and during the measurement period have an adjustment to provisional amounts recognized. An entity is now required to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, not on a retrospective basis as previously required. The amendments apply prospectively to adjustments to provisional amounts that occur in fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Adoption of this guidance did not have a material impact on the Company's condensed consolidated and combined financial statements.

In February 2016, the FASB issued new guidance regarding leases. The guidance requires lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases. Entities are also required to provide enhanced disclosure about leasing arrangements. The amendments retain lease classifications, distinguishing finance leases from operating leases, using criteria that are substantially similar for distinguishing capital leases from operating leases in previous guidance. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Adoption requires a modified retrospective approach. The Company is currently assessing the impact the adoption of this guidance will have on its condensed consolidated and combined financial statements.

In March 2016, the FASB issued amendments to the guidance on employee share-based payment accounting intended to improve the accounting for employee share-based payments. This amended guidance simplifies several aspects of the accounting for share-based payment award transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification in the statement of cash flows. The amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company elected to early adopt the new guidance in the second quarter of fiscal year 2016, which requires the Company to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. The primary impact of the adoption was the recognition of excess tax benefits in the Company's Provision for Taxes rather than Additional Paid-In Capital for all periods in the year ended December 31, 2016. As no excess tax benefits were previously recognized during the three months ended March 31, 2016, no adjustments are required to show the impact to the previously reported amounts in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2016. Additionally, there were no previously unrecognized excess tax benefits. The Company elected to apply the presentation requirements for cash flows related to excess tax benefits retrospectively and prior periods have been adjusted to remove the amounts of excess tax benefits presented in operating and financing activities in the Condensed Consolidated and Combined Statements of Cash Flows. Such prior period adjustment was immaterial. Additionally, the Company has retrospectively included in financing activities on the Condensed Consolidated and Combined Statements of Cash Flows amounts for employee taxes paid in instances when the Company withheld shares for tax withholding purposes. The Company has elected to maintain its current accounting policy of estimating forfeitures in its computation of equity-based compensation expense. Upon the adoption of this guidance, the Company excluded the estimated impact of excess tax benefits and tax deficiencies from the calculation of assumed proceeds for determining diluted net income (loss) per share using the treasury stock

method. There was no impact on net loss per share of Class A common stock.

In June 2016, the FASB issued guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018. The Company is currently assessing the impact the adoption of this guidance will have on its condensed consolidated and combined financial statements.

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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

**3. BUSINESS COMBINATIONS****Acquisition of PJT Capital LP**

On October 1, 2015, PJT Partners Holdings LP acquired all of the outstanding equity interests in PJT Capital LP. The effect of the transaction was a transfer of PJT Capital LP interests to PJT Partners Holdings LP in exchange for unvested PJT Partners Holdings LP units. No other consideration was transferred. This transaction was accounted for as a business combination and PJT Capital LP's operating results have been included in the Company's financial statements from the date of the transaction. The Company incurred \$0.1 million of costs related to the acquisition which were included in Professional Fees in the Condensed Consolidated and Combined Statements of Operations in the fourth quarter of 2015.

The following table summarizes the estimated allocation of the purchase price for PJT Capital LP at the acquisition date as well as measurement period adjustments to date:

|   | December<br>31,<br>2015 | Measurement<br>Period<br>Adjustments | June 30,<br>2016 |
|---|-------------------------|--------------------------------------|------------------|
| <b>Assets</b>                                   |                         |                                      |                  |
| Cash  | \$ 12,653               | \$ —                                 | \$ 12,653        |
| Accounts Receivable                             | 1,170                   | —                                    | 1,170            |
| Furniture, Equipment and Leasehold Improvements | 334                     | —                                    | 334              |
| Other Assets                                    | 362                     | —                                    | 362              |
| Intangible Assets                               | 13,300                  | —                                    | 13,300           |
| Deferred Tax Assets                             | —                       | 3,483                                | 3,483            |
| Goodwill  | 6,896                   | (3,483 )                             | 3,413            |
|   | 34,715                  | —                                    | 34,715           |
| <b>Liabilities</b>                              |                         |                                      |                  |
| Accrued Compensation and Benefits               | 29,424                  | —                                    | 29,424           |
| Accounts Payable, Accrued Expenses and Other    |                         |                                      |                  |
| Liabilities                                     | 4,626                   | —                                    | 4,626            |
| Taxes Payable                                   | 665                     | —                                    | 665              |
|   | 34,715                  | —                                    | 34,715           |
| <b>Net Assets Acquired</b>                      | <b>\$ —</b>             | <b>\$ —</b>                          | <b>\$ —</b>      |

The excess of the purchase price over the fair value of the net assets acquired of \$3.4 million was recorded as goodwill. Goodwill includes the in-place workforce, which allows the Company to continue serving its existing client base, begin marketing to potential clients and avoid significant costs reproducing the workforce. The transaction did



not result in goodwill for tax purposes.

The estimated fair value of the intangible assets acquired, which consist of PJT Capital LP's backlog of client assignments that existed at the time of the acquisition and trade name is based, in part, on a valuation using an income approach or market approach and has been included in Intangible Assets, Net in the Condensed Consolidated and Combined Statements of Financial Condition. The estimated fair value ascribed to the identifiable intangible assets is amortized on a straight-line basis over the estimated remaining useful lives of the assets over periods ranging between one and ten years.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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The Condensed Consolidated and Combined Statements of Operations for the three and six months ended June 30, 2016 include the results of PJT Capital LP. Supplemental information on an unaudited pro forma basis, as if the acquisition had been consummated as of January 1, 2014 is as follows:

|  | Three<br>Months<br>Ended | Six<br>Months<br>Ended |
|--|--------------------------|------------------------|
|  | June 30,<br>2015         | June 30,<br>2015       |
| Total Revenues                           | \$92,667                 | \$174,994              |
| Income (Loss) Before Provision for Taxes | \$4,311                  | \$(11,989 )            |
| Net Income (Loss)                        | \$4,761                  | \$(13,098 )            |

The unaudited pro forma results of operations do not purport to represent what the Company's results of operations would actually have been had the acquisition occurred on January 1, 2014, or to project the Company's results of operations for any future period. Actual future results may vary considerably based on a variety of factors beyond the Company's control.

The pro forma results include (a) the amortization of identifiable intangible assets of PJT Capital LP, and (b) the estimated income tax expense related to the historical earnings of PJT Capital LP, which as a result of the acquisition, would be subject to income tax at the effective tax rate of the Company.

#### Acquisition of Customer Mandates

On October 1, 2015, PJT Partners (UK) Limited, a subsidiary of the Company, purchased certain open customer mandates and other assets from a subsidiary of its former Parent. This transaction was accounted for as an asset acquisition. There were no capitalized transaction costs and the total purchase price was \$1.5 million. The customer mandates acquired were recorded as intangible assets and are amortized over their estimated useful lives of one year. In connection with the transaction, the Company acquired \$1.3 million of customer mandates and \$0.2 million of other assets and liabilities, net.

#### 4. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Included in Accounts Receivable are long-term receivables of \$64.9 million and \$62.6 million as of June 30, 2016 and December 31, 2015, respectively, related to placement fees that are generally paid in installments over a period of

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three to four years. There were no long-term receivables with affiliates as of June 30, 2016 or December 31, 2015. The carrying value of such long-term receivables approximates fair value. Long-term receivables are classified as Level II in the fair value hierarchy.

The Company does not have any long-term receivables on non-accrual status. Long-term receivables which were more than 90 days past due as of June 30, 2016 and December 31, 2015 were \$2.7 million and \$2.2 million, respectively.

Changes in the allowance for doubtful accounts related to long-term receivables are presented below:

|                              | Six<br>Months<br>Ended<br>June 30,<br>2016 | Year Ended<br>December 31,<br>2015 |
|------------------------------|--|------------------------------------|
| Balance, Beginning of Period | \$ —                                       | \$ 392                             |
| Bad Debt Expense (Recovery)  | 625  | (392 )                             |
| Balance, End of Period       | \$ 625                                     | \$ —                               |

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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**5. GOODWILL AND INTANGIBLE ASSETS**

Changes in the carrying value of goodwill consist of the following:

|                                    |          |
|------------------------------------|----------|
| Balance, December 31, 2015         | \$75,769 |
| Purchase Accounting Adjustment (a) | (3,483 ) |
| Balance, June 30, 2016             | \$72,286 |

(a) During the three months ended March 31, 2016, the Company recorded \$3.5 million of purchase accounting adjustments related to the acquisition of PJT Capital LP.

There have been no indicators of goodwill impairment since the Company's most recent annual assessment.

Intangible Assets, Net consists of the following:

|                                       | June 30,<br>2016 | December 31,<br>2015 |
|---------------------------------------|------------------|----------------------|
| <b>Finite-Lived Intangible Assets</b> |                  |                      |
| Customer Relationships                | \$26,476         | \$ 26,476            |
| Client Backlog                        | 7,600            | 7,600                |
| Trade Name                            | 5,700            | 5,700                |
| Client Mandates and Other             | 1,372            | 1,483                |
| Accumulated Amortization              | (23,134)         | (17,613 )            |
| Intangible Assets, Net                | \$18,014         | \$ 23,646            |

Amortization expense was \$2.8 million and \$5.6 million for the three and six months ended June 30, 2016, respectively, and \$0.7 million and \$1.3 million for the three and six months ended June 30, 2015, respectively.

Amortization of Intangible Assets held at June 30, 2016 is expected to be \$9.0 million for the year ending December 31, 2016 and \$2.3 million for each of the years ending December 31, 2017, 2018, 2019 and 2020. The intangible assets as of June 30, 2016 are expected to amortize over a weighted-average period of 8.2 years.

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

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

|   | June 30,<br>2016 | December 31,<br>2015 |
|---|------------------|----------------------|
| Office Equipment  | \$1,898          | \$ 1,873             |
| Leasehold Improvements                                  | 30,299           | 23,330               |
| Furniture and Fixtures                                  | 9,979            | 9,119                |
| Accumulated Depreciation                                | (5,129 )         | (2,832 )             |
| Furniture, Equipment and Leasehold Improvements,<br>Net | \$37,047         | \$ 31,490            |

Depreciation expense was \$1.2 million and \$2.3 million for the three and six months ended June 30, 2016, respectively. Depreciation expense, including allocations from the former Parent, was \$0.8 million and \$1.7 million for the three and six months ended June 30, 2015, respectively.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

**7. INCOME TAXES**

The Company's operations were included in Blackstone subsidiaries' U.S. federal, state and foreign tax returns for taxable periods ending before the Company's spin-off and separation from Blackstone on October 1, 2015. With respect to such taxable periods, the Company's income taxes were calculated on a separate tax return basis. For subsequent periods, the Company is filing tax returns as a stand-alone entity, and its deferred taxes and effective tax rates may differ from those of the historical periods.

The Company's effective tax rate was 54.0% and 56.3% for the three and six months ended June 30, 2016, respectively, and -9.1% and -9.5% for the three and six months ended June 30, 2015. The Company's income tax benefit was \$5.5 million and \$4.2 million for the three and six months ended June 30, 2016, respectively, and the income tax provision was \$0.6 million and \$2.0 million for the three and six months ended June 30, 2015, respectively.

The Company's effective tax rate for the three and six months ended June 30, 2016 was largely attributable to corporate entities subject to U.S. federal, state, local and foreign income taxes; to non-corporate entities that are subject to New York City Unincorporated Business Tax ("UBT") and to certain compensation charges that are not deductible for tax purposes.

The Company's effective tax rate for the three and six months ended June 30, 2015 was largely attributable to foreign income tax, New York City UBT and to certain compensation charges that are not deductible for tax purposes.

As of June 30, 2016, the Company had no unrecognized tax benefits.

**8. NET LOSS PER SHARE OF CLASS A COMMON STOCK**

Basic and diluted net loss per share of Class A common stock for the three and six months ended June 30, 2016 is presented below:

|   | Three<br>Months<br>Ended | Six Months<br>Ended |
|---|--------------------------|---------------------|
|   | June 30,<br>2016         | June 30,<br>2016    |
| <b>Numerator:</b>   |                          |                     |
| Net Loss  | \$(4,716 )               | \$(3,285 )          |
| Net Loss Attributable to Redeemable Non-Controlling Interests | (4,393 )                 | (3,217 )            |
| Net Loss Attributable to PJT Partners Inc.                    | \$(323 )                 | \$(68 )             |

Denominator:

Weighted-Average Shares of Class A Common

|  |            |            |
|--|------------|------------|
| Stock Outstanding — Basic and Diluted                          | 18,264,742 | 18,263,365 |
| Net Loss Per Share of Class A Common Stock — Basic and Diluted | \$(0.02 )  | \$(0.00 )  |

The allocation of income (loss) between holders of shares of Class A common stock and the Redeemable Non-Controlling Interests began following the spin-off on October 1, 2015.

Partnership Units may be exchanged for PJT Partners Inc. Class A common stock on a one-for-one basis, subject to applicable lock-up, vesting and transfer restrictions. If all Partnership Units were exchanged for Class A common stock, fully diluted Class A common stock outstanding would be 34,325,781 and 34,355,325 for the three and six months ended June 30, 2016, respectively. In computing the dilutive effect, if any, that the aforementioned exchange would have on net income (loss) per share, net income (loss) attributable to holders of Class A common stock would be adjusted due to the elimination of the non-controlling interests associated with the Partnership Units (including any tax impact). For the three and six months ended June 30, 2016, such exchange is not reflected in diluted net income (loss) per share as the assumed exchange is not dilutive.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

During the three and six months ended June 30, 2016, unvested restricted stock units (“RSUs”), participating RSUs and Partnership Units were all determined to be anti-dilutive and excluded from the calculation of net loss per share of Class A common stock. The following amounts would have been included in this calculation if their effect were dilutive for the three and six months ended June 30, 2016:

|                                     | Three<br>Months<br>Ended | Six Months<br>Ended |
|-------------------------------------|--------------------------|---------------------|
|                                     | June 30,<br>2016         | June 30,<br>2016    |
| Weighted-Average Unvested RSUs      | 1,754,382                | 1,646,233           |
| Weighted-Average Participating RSUs | 754,174                  | 772,005             |
| Weighted-Average Partnership Units  | 16,061,039               | 16,091,960          |

## 9. EQUITY-BASED COMPENSATION

### Overview

Until the consummation of the spin-off, certain of the Company’s employees participated in Blackstone’s equity compensation plans. The equity-based compensation expense recorded by the Company for the periods presented prior to October 1, 2015 includes the expense associated with the employees historically attributable to the Company’s operations. As the equity-based compensation plans were Blackstone’s plans, the amounts were previously recognized within Former Parent Company Investment and Due from Blackstone in the Condensed Consolidated and Combined Statements of Financial Condition.

Further information regarding equity-based compensation awards granted in connection with the spin-off is described in Note 10. “Equity-Based Compensation” in the “Notes to Consolidated and Combined Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

The following table represents stock-based compensation expense and related income tax benefits for the three and six months ended June 30, 2016 and 2015, respectively:

| Three Months<br>Ended June 30, |      | Six Months Ended<br>June 30, |      |
|--------------------------------|------|------------------------------|------|
| 2016                           | 2015 | 2016                         | 2015 |



|                                  |          |          |          |          |
|----------------------------------|----------|----------|----------|----------|
| Stock-Based Compensation Expense | \$21,567 | \$15,240 | \$42,185 | \$40,499 |
| Income Tax Benefit               | \$4,328  | \$50     | \$8,463  | \$96     |

### 2015 Omnibus Incentive Plan

On October 1, 2015, the Company adopted the PJT Partners Inc. 2015 Omnibus Incentive Plan (the “PJT Equity Plan”) for the purpose of providing incentive compensation measured by reference to the value of the Company’s common stock or Partnership Units. The PJT Equity Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, partnership interests and other stock-based or cash-based awards. The Company has initially authorized 12.2 million shares of Class A common stock for issuance under the PJT Equity Plan.

### Restricted Stock Units

Pursuant to the PJT Equity Plan and in connection with the Company’s spin-off from Blackstone, annual compensation process and ongoing hiring process, the Company has issued shares of RSUs, which generally vest over a service life of two to five years. Awards are forfeited if the employee ceases to be employed by the Company prior to vesting or does not meet the requisite service requirement.

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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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A summary of the status of the Company's unvested RSUs in PJT Partners Inc. and PJT Partners Holdings LP as of June 30, 2016 and of changes during the period January 1, 2016 through June 30, 2016 is presented below:

|  | Restricted Stock Units      |                             |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | PJT Partners Inc.           |                             | PJT Partners Holdings LP    |                             |
|  | Weighted-Average Grant Date | Weighted-Average Grant Date | Number of Partnership Units | Weighted-Average Grant Date |
|  | Number of Units             | Fair Value (in dollars)     | Fair Value (in dollars)     |                             |
| Balance, December 31, 2015                 | 5,344,573                   | \$ 20.98                    | 554,850                     | \$ 23.73                    |
| Granted                                    | 616,448                     | 27.22                       | —                           | —                           |
| Vested                                     | 1,584                       | 25.00                       | —                           | —                           |
| Forfeited                                  | (217,153 )                  | 23.78                       | —                           | —                           |
| Dividends Reinvested on Participating RSUs | (9,311 )                    | 24.20                       | (3,053 )                    | 31.16                       |
| Balance, June 30, 2016                     | 5,736,141                   | \$ 21.54                    | 551,797                     | \$ 23.68                    |

As of June 30, 2016, there was \$90.2 million of estimated unrecognized compensation expense related to unvested RSU awards. The Company assumes a forfeiture rate of 1.0% to 16.7% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 1.7 years.

#### Partnership Units

In connection with the spin-off on October 1, 2015, Blackstone underwent an internal reorganization, pursuant to which the operations that had historically constituted Blackstone's Financial Advisory reporting segment, other than Blackstone's capital markets services business, were contributed to PJT Partners Holdings LP, a newly-formed holding partnership that became controlled by PJT Partners Inc., as general partner. In the internal reorganization, the limited partners of the holding partnerships that owned Blackstone's operating subsidiaries and certain individuals engaged in the Company's business received Class A common stock of PJT Partners Inc., as well as Partnership Units that, subject to certain terms and conditions, are redeemable at the option of the holder for cash, or, at PJT Partners Holdings LP's election, for shares of PJT Partners Inc. Class A common stock on a one-for-one basis. These Partnership Units generally vest over a service life of five years.

A summary of the status of the Company's unvested Partnership Units as of June 30, 2016 and of changes during the period January 1, 2016 through June 30, 2016 is presented below:

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|                            | Partnership Units | Weighted-<br>Average<br>Grant<br>Date | Number of<br>Partnership<br>Units | Fair Value<br>(in<br>dollars) |
|----------------------------|-------------------|---------------------------------------|-----------------------------------|-------------------------------|
| Balance, December 31, 2015 | 5,315,000         |                                       |                                   | \$ 21.00                      |
| Granted                    | 120,228           |                                       |                                   | 28.29                         |
| Forfeited                  | (63,871 )         |                                       |                                   | 28.29                         |
| Balance, June 30, 2016     | 5,371,357         |                                       |                                   | \$ 21.08                      |

As of June 30, 2016, there was \$82.5 million of estimated unrecognized compensation expense related to unvested Partnership Units. The Company assumes a forfeiture rate of 5.5% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 2.6 years.

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## Equity-Based Awards with Both Service and Market Conditions

In connection with the spin-off, the Company also granted equity-based awards containing both service and market conditions. The effect of the market condition is reflected in the grant date fair value of the award. Compensation cost is recognized over the requisite service period, provided that the service period is completed, irrespective of whether the market condition is satisfied.

In connection with the spin-off, the Company issued 6,530,048 equity-based awards with a service condition requirement over five years with 20% vesting in the third year, 30% in the fourth year and 50% in the fifth year. The market condition requirement will be satisfied upon the publicly traded shares of Class A common stock achieving certain volume weighted-average share price targets over any consecutive 30-day trading period following the consummation of the spin-off, pro-ratably at \$48, \$55, \$63, \$71 and \$79 per share of Class A common stock.

The market condition requirements must be met prior to the sixth anniversary of the consummation of the spin-off. No portion of these awards will become vested until both the service and market conditions have been satisfied.

A summary of the status of the Company's unvested equity-based awards in PJT Partners Holdings LP with both a service and market condition as of June 30, 2016 and of changes during the period January 1, 2016 through June 30, 2016 is presented below:

|                            | Equity-Based Awards<br>with |            |
|----------------------------|-----------------------------|------------|
|                            | Both Service and<br>Market  |            |
|                            | Conditions                  |            |
|                            | Number of                   | Weighted-  |
|                            | Partnership                 | Average    |
|                            | Units                       | Grant      |
|                            |                             | Date       |
|                            |                             | Fair Value |
|                            |                             | (in        |
|                            |                             | dollars)   |
| Balance, December 31, 2015 | 6,530,048                   | \$ 5.72    |
| Forfeited                  | (26,584 )                   | 5.72       |
| Balance, June 30, 2016     | 6,503,464                   | \$ 5.72    |

As of June 30, 2016, there was \$26.0 million of estimated unrecognized compensation expense related to equity-based awards with both a service and market condition. The Company assumes a forfeiture rate of 5.5% annually based on

expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 2.9 years.

#### Units Expected to Vest

The following unvested units, after expected forfeitures, as of June 30, 2016, are expected to vest:

|                           | Units      | Weighted-Average<br>Service Period<br>in Years |
|---------------------------|------------|--|
| Partnership Units         | 10,446,213 | 2.8  |
| Restricted Stock Units    | 5,684,116  | 1.7  |
| Total Equity-Based Awards | 16,130,329 | 2.4  |

#### 10. TRANSACTIONS WITH RELATED PARTIES

Prior to the spin-off on October 1, 2015, the Company was managed and operated in the normal course of business with other affiliates of Blackstone. Accordingly, certain shared costs were allocated to the Company and reflected as expenses in the stand-alone Condensed Consolidated and Combined Statements of Operations.

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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

Management of Blackstone and the Company considered the allocation methodologies used to be reasonable and appropriate reflections of the historical expenses attributable to the Company for purposes of the stand-alone financial statements. The expenses reflected in the Condensed Consolidated and Combined Statements of Operations may not be indicative of expenses that will be incurred by the Company in the future.

In connection with the spin-off on October 1, 2015, Blackstone is no longer an affiliate of the Company. Accordingly, for periods subsequent to October 1, 2015, revenues earned from Blackstone are no longer reported as Revenues Earned from Affiliates in the Condensed Consolidated and Combined Statements of Operations and receivables from Blackstone are no longer included in Receivable from Affiliates in the Condensed Consolidated and Combined Statements of Financial Condition.

During the six months ended June 30, 2016, the Company recorded \$0.3 million related to certain professional fees payable to Blackstone. No such fees were recorded during the three months ended June 30, 2016. As of June 30, 2016, the Company had amounts payable to Blackstone for such expenses of \$0.3 million.

Certain purchases of furniture, equipment and leasehold improvements were paid by Blackstone on the Company's behalf. The Company had amounts payable to Blackstone for such costs of \$5.5 million and \$4.0 million as of June 30, 2016 and December 31, 2015, respectively, which is offset by certain amounts that Blackstone has agreed to pay pursuant to the spin-off.

On December 31, 2015, a client remitted a \$4.5 million payment to Blackstone in settlement of an accounts receivable balance instead of the Company. Blackstone subsequently wired such amount to the Company on January 4, 2016. As of December 31, 2015, such amount was included in Accounts Receivable in the Condensed Consolidated and Combined Statements of Financial Condition.

#### Revenues Earned from Affiliates

There were no Advisory Fees earned from affiliates for the three and six months ended June 30, 2016. Advisory Fees earned from affiliates totaled \$1.0 million and \$3.4 million for the three and six months ended June 30, 2015, respectively, representing 2.1% and 3.2% of total Advisory Fees, respectively. There were no Placement Fees earned from affiliates for the three and six months ended June 30, 2016. Placement Fees earned from affiliates totaled \$10.3 million and \$11.4 million for the three and six months ended June 30, 2015, respectively, representing 40.9% and 23.5% of total Placement Fees, respectively. These fees were earned in the ordinary course of business.

There was no Interest Income earned from affiliates for the three and six months ended June 30, 2016. Interest Income earned from affiliates totaled \$0.1 million for the three and six months ended June 30, 2015.

#### Corporate Allocations

Prior to the spin-off on October 1, 2015, Blackstone historically provided the Company with various office facilities, administrative and operational support services at cost. Such expenses were historically allocated to the Company based upon an established methodology appropriate to the expense. Under this methodology, expenses incurred by support service groups were allocated based upon agreed expense drivers. Example allocation methodologies included

time and labor studies and proportional usage, headcount or square footage measures. Additionally, Blackstone incurred expenses on behalf of the Company that were specifically attributed to the Company. Such expenses were comprised principally of compensation and benefits, occupancy and office services, communications and information services, research and professional fees. The Company reimbursed Blackstone for its share of all such expenses paid on its behalf.

Additionally, Blackstone previously provided bill paying, payroll, cash management and foreign currency risk services on behalf of the Company. These arrangements generated amounts due to or due from Blackstone which were previously reflected in Due from Blackstone in the Condensed Consolidated and Combined Statements of Financial Condition.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

Management believes the assumptions underlying the condensed consolidated and combined financial statements for periods presented prior to October 1, 2015 are reasonable. Nevertheless, the condensed consolidated and combined financial statements may not have included all of the actual expenses that would have been incurred and may not have reflected the Company's combined results of operations, financial position and cash flows had it been a stand-alone company during the periods presented. Actual costs that would have been incurred if PJT Partners Inc. had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

#### Agreements with Blackstone

##### Transition Services Agreement

In connection with the spin-off, the Company entered into a Transition Services Agreement with Blackstone under which Blackstone or its respective affiliates may provide the Company with certain services for a period of up to 24 months from the date of the spin-off (subject to the earlier termination of the agreement or any or all of the services provided thereunder in the circumstances set forth therein) to help ensure an orderly transition for each of the Company and Blackstone following the distribution. Pursuant to the Transition Services Agreement, Blackstone agreed to provide the Company certain finance, information technology, human resources and compensation, facilities, legal and compliance, external relations and public company services. The Company pays Blackstone for any such services at agreed amounts as set forth in the Transition Services Agreement. In addition, from time to time during the term of the agreement, the Company and Blackstone may mutually agree on additional services to be provided by Blackstone to the Company at pricing based on market rates that are reasonably agreed by the parties.

The Company had amounts payable to Blackstone with respect to the Transition Services Agreement of \$0.1 million and \$0.5 million as of June 30, 2016 and December 31, 2015, respectively.

##### Employee Matters Agreement

In connection with the spin-off, the Company entered into an Employee Matters Agreement with Blackstone that governs the respective rights, responsibilities and obligations of the parties from and after the spin-off with respect to employee-related liabilities and the Company's respective retirement plans, nonqualified deferred compensation plans, health and welfare benefit plans and equity-based compensation plans (including the treatment of outstanding awards thereunder). The Employee Matters Agreement generally provides for the allocation and treatment of assets, account balances and liabilities, as applicable, arising out of incentive plans, retirement plans, nonqualified deferred compensation plans and employee health and welfare benefit programs in which the Company's employees participated prior to the spin-off.

The Company retained or otherwise assumed all liabilities for current and former employees and employees of Blackstone who became the Company's employees upon consummation of the spin-off. Blackstone retained or otherwise assumed liabilities with respect to the employment, service, termination of employment or termination of service of its former employees who, immediately prior to their separation from Blackstone, primarily provided services in respect of the Company's business (except that the Company assumed certain specified liabilities). For at least 12 months following the spin-off, each individual who remains employed by the Company will receive (a) a base



salary and bonus opportunity that generally are no less favorable in aggregate than those provided immediately before the spin-off, and (b) other compensation and employee benefits that are substantially similar in the aggregate to those in effect immediately prior to the spin-off. The Company assumed all annual cash incentive arrangements with respect to the Company's personnel and adopted new welfare, 401(k) and similar plans for the Company's personnel. However, Blackstone reimbursed the Company for the amount of 2015 annual incentive compensation that was accrued by Blackstone for such employees prior to the spin-off date.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

The Company is required to reimburse Blackstone for the value of forfeited unvested equity awards granted to former Blackstone employees that transitioned to PJT Partners in connection with the spin-off. Such reimbursement is recorded in Accounts Payable, Accrued Expenses and Other Liabilities with an offsetting credit to equity in the Condensed Consolidated and Combined Statements of Financial Condition. The Company will cash settle the liability to Blackstone quarterly as the forfeitures attributable to these employees crystallize. The accrual for these forfeitures was \$0.7 million and \$1.3 million as of June 30, 2016 and December 31, 2015, respectively.

#### Tax Matters Agreement

The Company entered into a Tax Matters Agreement with Blackstone that governs the respective rights, responsibilities and obligations of the Company and Blackstone after the spin-off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. The Company has joint and several liability with Blackstone to the Internal Revenue Service (“IRS”) for the consolidated U.S. federal income taxes of the Blackstone consolidated group relating to the taxable periods in which the Company was part of that group. However, the Tax Matters Agreement specifies the portion, if any, of this tax liability for which the Company bears responsibility, and Blackstone agrees to indemnify the Company against any amounts for which the Company is not responsible. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the spin-off is determined not to be tax-free. Though valid as between the parties, the Tax Matters Agreement is not binding on the IRS.

#### Exchange Agreement

The Company entered into an exchange agreement with the limited partners of PJT Partners Holdings LP pursuant to which they (or certain permitted transferees) have the right, subject to the terms and conditions set forth in the limited partnership agreement of PJT Partners Holdings LP, on a quarterly basis, from and after the first anniversary of the date of the consummation of the spin-off (subject to the terms of the exchange agreement), to exchange all or part of their Partnership Units for cash, or, at the Company’s election, for shares of PJT Partners Inc. Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. The price per Partnership Unit to be received in a cash-settled exchange will be equal to the fair value of a share of PJT Partners Inc. Class A common stock (determined in accordance with and subject to adjustment under the exchange agreement). In the event cash-settled exchanges of Partnership Units are funded with new issuances of Class A common stock, the fair value of a share of PJT Partners Inc. Class A common stock will be deemed to be equal to the net proceeds per share of Class A common stock received by PJT Partners Inc. in the related issuance. Accordingly, in this event, the price per Partnership Unit to which an exchanging Partnership Unitholder will be entitled may be greater than or less than the then-current market value of PJT Partners Inc. Class A common stock. The exchange agreement also provides that a holder of Partnership Units will not have the right to exchange Partnership Units in the event that PJT Partners Inc. determines that such exchange would be prohibited by law, would result in any breach of any debt agreement or other material contract of PJT Partners Inc. or PJT Partners Holdings LP.

#### Registration Rights Agreement

The Company entered into a registration rights agreement with the limited partners of PJT Partners Holdings LP pursuant to which the Company granted them, their affiliates and certain of their transferees the right, under certain circumstances and subject to certain restrictions, to require the Company to register under the Securities Act shares of Class A common stock delivered in exchange for Partnership Units.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

#### Promissory Note

As of December 31, 2015, there was a \$0.6 million unsecured promissory note from an employee held by the Company. The outstanding principal balance and accrued interest was included in Other Assets in the Condensed Consolidated and Combined Statements of Financial Condition. The promissory note bore a variable interest rate of the prime rate less one percent per annum, determined as of the date of the promissory note and then on the twentieth day of each month thereafter until the promissory note is repaid. During the three months ended March 31, 2016, the promissory note was repaid.

#### Aircraft Lease

On occasion, certain of the Company's executive officers, employees and their families may make use of aircraft in which the Company owns a fractional interest (the "Aircraft"). Any such personal use of the Aircraft is charged to the executive officer or employee based on market rates and usage. The amount is not material to the condensed consolidated and combined financial statements.

## 11. COMMITMENTS AND CONTINGENCIES

### Commitments

#### Line of Credit

On October 1, 2015, PJT Partners Holdings LP entered into a Loan Agreement (the "Loan Agreement") and related documents with First Republic Bank. The Loan Agreement provides for a revolving credit facility with aggregate commitments in an amount equal to \$60.0 million, which aggregate commitments may be increased, on the terms and subject to the conditions set forth in the Loan Agreement, to up to \$80.0 million during the period beginning December 1 each year through March 1 of the following year. The revolving credit facility will mature and the commitments thereunder will terminate on October 2, 2017. The proceeds of the revolving credit facility are available for working capital and general corporate purposes. Interest on the borrowings is based on the prime rate minus 1.0% and undrawn commitments bear a commitment fee. The Loan Agreement contains customary representations, covenants and events of default. Financial covenants consist of a minimum consolidated tangible net worth, maximum leverage ratio, minimum consolidated liquidity ratio and limitation on additional indebtedness, each tested quarterly.

As of June 30, 2016, there were no borrowings under the revolving credit facility and the Company was in compliance with the debt covenants.

#### Leases

The Company leases office space under non-cancelable lease agreements, which expire at various dates through 2030. Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain

costs incurred by the landlord and are recognized on a straight-line basis over the term of the lease agreement.

Total rent expense was \$6.3 million and \$12.5 million for the three and six months ended June 30, 2016, respectively. Total rent expense, including allocations from the former Parent, was \$8.3 million and \$13.2 million for the three and six months ended June 30, 2015, respectively. Rent expense is included in Occupancy and Related in the Condensed Consolidated and Combined Statements of Operations. These amounts include variable operating escalation payments, which are paid when invoiced.

As of June 30, 2016, the Company maintained an irrevocable standby letter of credit for certain operating leases of \$4.9 million and as of December 31, 2015, the Company's former Parent maintained an irrevocable standby letter of credit of \$5.5 million.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

Capital lease obligations recorded are payable through 2021 at a weighted-average interest rate of 2.3%. The net book value of all assets recorded under capital leases aggregated \$0.4 million as of June 30, 2016 and December 31, 2015.

As of June 30, 2016, the aggregate minimum future payments required on non-cancelable leases are as follows:

| Year Ending December 31,           | Minimum Lease Payments |            |
|------------------------------------|------------------------|------------|
|                                    | Capital                | Operating  |
| 2016                               | \$52                   | \$ 11,465  |
| 2017                               | 102                    | 23,083     |
| 2018                               | 102                    | 20,919     |
| 2019                               | 102                    | 20,361     |
| 2020                               | 79                     | 19,387     |
| Thereafter                         | 4                      | 128,331    |
| Total Minimum Lease Payments       | 441                    | 223,546    |
| Less: Amount Representing Interest | 21                     |            |
| Capital Lease Obligation           | \$420                  |            |
| Less: Sublease Proceeds            |                        | 18,385     |
| Net Minimum Lease Payments         |                        | \$ 205,161 |

## Litigation

From time to time, the Company is named as a defendant in legal actions relating to transactions conducted in the ordinary course of business. Some of these matters may involve claims of substantial amounts. Although there can be no assurance of the outcome of such legal actions, in the opinion of management, after consultation with external counsel, the Company believes it is not probable and/or reasonably possible that any current legal proceedings or claims would individually or in the aggregate have a material adverse effect on the condensed consolidated and combined financial statements of the Company.

As previously disclosed, the Company terminated Andrew Caspersen on March 28, 2016 after learning of a number of unauthorized and unlawful transactions outside the scope of his employment with Park Hill. Based on the Company's current assessment related to this matter, the Company has recorded an expense of \$8.9 million, which represents the amount that is considered to be probable and reasonably estimable. The Company has also assessed that it is probable that it will receive \$5.6 million in related insurance reimbursement, which has also been recorded in the financial statements. Such expense and related insurance reimbursement were recorded during the three months ended March 31, 2016.

With respect to potential additional claims related to funds fraudulently obtained by Mr. Caspersen, the Company believes that any such claims would be without merit and would vigorously defend any such actions.

For other matters, including the litigation discussed under the caption “Legal Proceedings” elsewhere in this report, the Company is not currently able to estimate the possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support such an assessment, including quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by courts on motions or appeals, analysis by experts or the status of any settlement negotiations.

#### Indemnification

The Company enters into contracts, including contracts with Blackstone relating to the spin-off, that contain a variety of indemnifications. The Company’s maximum exposure under these arrangements is not known. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

## 12. EMPLOYEE BENEFIT PLANS

The Company contributes to employer sponsored defined contribution plans for certain employees, subject to eligibility and statutory requirements. The Company incurred expenses with respect to these defined contribution plans in the amounts of \$0.1 million and \$0.4 million for the three and six months ended June 30, 2016, respectively, and \$0.1 million and \$0.2 million for the three and six months ended June 30, 2015, respectively, which are included in Compensation and Benefits in the Condensed Consolidated and Combined Statements of Operations.

## 13. REGULATED ENTITIES

Certain subsidiaries of the Company are subject to various regulatory requirements in the United States, United Kingdom and Hong Kong, which specify, among other requirements, minimum net capital requirements for registered broker-dealers.

PJT Partners LP is a registered broker-dealer through which strategic advisory and restructuring and special situations services are conducted in the United States and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). PJT Partners LP computes net capital based upon the aggregate indebtedness standard, which requires the maintenance of minimum net capital, as defined, which shall be the greater of \$100 thousand or 6 2/3% of aggregate indebtedness, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. PJT Partners LP had net capital of \$33.3 million and \$10.3 million as of June 30, 2016 and December 31, 2015, respectively, which exceeded the minimum net capital requirement by \$32.6 million and \$9.3 million, respectively.

Park Hill Group LLC is a registered broker-dealer through which private fund advisory and placement services are conducted in the United States and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Park Hill Group LLC elected to adopt the alternative standard, which defines minimum net capital as the greater of \$250 thousand or 2% of aggregate debit items computed in accordance with the reserve requirement. Park Hill Group LLC had net capital of \$13.9 million and \$19.0 million as of June 30, 2016 and December 31, 2015, respectively, which exceeded the minimum net capital requirement by \$13.7 million and \$18.8 million, respectively.

PJT Partners LP and Park Hill Group LLC do not carry customer accounts and do not otherwise hold funds or securities for, or owe money or securities to, customers and, accordingly, are both exempt from the SEC Customer Protection Rule (Rule 15c3-3).

PJT Partners (UK) Limited is licensed with the United Kingdom’s Financial Conduct Authority and is required to maintain regulatory net capital of €50 thousand. PJT Partners (HK) Limited is licensed with the Hong Kong Securities and Futures Commission and is subject to a minimum liquid capital requirement of HK\$3 million. As of June 30,



2016 and December 31, 2015, both of these entities were in compliance with local capital adequacy requirements.

#### 14. BUSINESS INFORMATION

The Company's activities providing strategic advisory, restructuring and special situations and private fund advisory and placement services constitute a single reportable segment. An operating segment is a component of an entity which conducts business, incurs revenues and expenses for which discrete financial information is available that is reviewed by the chief operating decision maker in assessing performance and making resource allocation decisions. The Company has a single operating segment and therefore a single reportable segment.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

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

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

|                 | Three Months<br>Ended<br>June 30,<br>2016 |                 | Six Months Ended<br>June 30,<br>2016 |                  |
|-----------------|---|-----------------|--------------------------------------|------------------|
|                 | 2015                                      | 2015            | 2015                                 | 2015             |
| <b>Revenues</b> |   |                 |                                      |                  |
| Domestic        | \$85,651                                  | \$69,114        | \$197,762                            | \$143,412        |
| International   | 3,633                                     | 3,355           | 6,826                                | 11,382           |
| <b>Total</b>    | <b>\$89,284</b>                           | <b>\$72,469</b> | <b>\$204,588</b>                     | <b>\$154,794</b> |

|               | June 30,<br>2016 | December 31,<br>2015 |
|---------------|------------------|----------------------|
| <b>Assets</b> |                  |                      |
| Domestic      | \$472,043        | \$444,040            |
| International | 43,343           | 23,212               |
| <b>Total</b>  | <b>\$515,386</b> | <b>\$467,252</b>     |

The Company is not subject to any material concentrations with respect to its revenues for the three and six months ended June 30, 2016 and 2015, or credit risk with respect to its accounts receivable as of June 30, 2016 and December 31, 2015.

#### 15. SUBSEQUENT EVENTS

The Board of Directors of PJT Partners Inc. has declared a quarterly dividend of \$0.05 per share of Class A common stock, which will be paid on September 21, 2016 to Class A common stockholders of record on September 7, 2016.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with PJT Partners' Condensed Consolidated and Combined Financial Statements and the related notes included in this Quarterly Report on Form 10-Q.

The financial statements, which are discussed below, reflect the historical financial condition, results of operations and cash flows of the strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses of Blackstone for periods presented prior to October 1, 2015, the date that the spin-off and related transactions were completed. The financial information discussed below and included in this Quarterly Report on Form 10-Q may not necessarily reflect what our financial condition, results of operations or cash flows would have been had we been a stand-alone company during the periods presented or what our financial condition, results of operations and cash flows may be in the future.

### Our Business

PJT Partners is a global advisory-focused investment bank. Our team of senior professionals delivers a wide array of strategic advisory, restructuring and special situations and private fund advisory and placement services to corporations, financial sponsors, institutional investors and governments around the world. We offer a balanced portfolio of advisory services designed to help our clients realize major corporate milestones and solve complex issues. We also provide, through Park Hill Group, private fund advisory and placement services for alternative investment managers, including private equity funds, real estate funds and hedge funds.

We have world-class franchises in each of the areas in which we compete. Our strategic advisory line of business, established in 1985, offers a broad range of financial advisory and transaction execution capability, including mergers and acquisitions ("M&A"), joint ventures, minority investments, asset swaps, divestitures, takeover defenses, corporate finance advisory, private placements and distressed sales. Our restructuring and special situations line of business, established in 1991, is one of the world's leading advisors in restructurings and recapitalizations around the globe. With vast expertise in highly complex capital structure challenges, our Restructuring and Special Situations Group's services include advising companies, creditors and financial sponsors on recapitalizations, reorganizations, exchange offers, debt repurchases, capital raises and distressed mergers and acquisitions. Park Hill Group, our private fund advisory and placement line of business, is a world-leading fund placement agent and has provided private fund advisory and placement services for a diverse range of investment strategies since its inception in 2005. Moreover, Park Hill Group is the only group among its peers with top-tier dedicated private equity, hedge fund, real estate and secondary advisory groups.

### Spin-off from Blackstone

On October 1, 2015, in connection with the spin-off, several transactions took place which impacted the Company's condensed consolidated and combined financial statements.

See Note 3. "Reorganization and Spin-off" and Note 11. "Stockholders' Equity" in the "Notes to Consolidated and Combined Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for further information.

### Business Environment

Economic and global financial conditions can materially affect our operational and financial performance. See "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015 for a discussion of some of the factors that can affect our performance.



M&A is a cyclical business which is impacted by macroeconomic conditions. According to Thomson Reuters, worldwide M&A activity for the first half of 2016 decreased 19% from comparable 2015 levels.<sup>1</sup> The recent uncertainty and volatility in the global markets has the potential to moderate those volumes. However, given the accelerating pace of transformation and innovation affecting industries and companies around the globe, we expect corporate boards and management teams will continue to use M&A as a tool for growth.

Restructuring activity remains high, particularly in commodities driven sectors in the U.S. After an extended period of relatively low default rates, high-yield default rates have increased in the energy and metals and mining sectors.

Short-term volatility in the market has the potential to pause investment, which could have an impact on our strategic advisory and fund placement businesses. This short-term volatility however, does not impact the long-term allocation decisions of investors or their commitment to alternative asset classes. Overall, alternative assets benefit from a combination of volatile returns in public equities and low yields on traditional fixed income. As a leading alternative asset fundraising platform, Park Hill Group is well-positioned to benefit from this trend.

On June 23, 2016, the United Kingdom (“U.K.”) voted to leave the European Union, commonly referred to as “Brexit.” The full impact of Brexit remains uncertain, and it is likely to take a significant period of time before the future terms of the U.K.’s relationship with the European Union are determined. Circumstances relating to Brexit have the potential to impact particular client transactions as well as the Company’s decisions around our organization and/or operations.

## Key Financial Measures

### Revenues

Substantially all of our revenues are derived from Advisory Fees and Placement Fees. This revenue is primarily a function of the number of active engagements we have, the size of each of those engagements and the fees we charge for our services.

**Advisory Fees** – Our strategic advisory services include a broad range of financial advisory and transaction execution services relating to acquisitions, mergers, joint ventures, minority investments, asset swaps, divestitures, takeover defenses, corporate finance advisory and distressed sales. Our restructuring and special situations services include providing advice to corporations and creditors in recapitalizations and restructurings around the world, with particular expertise in large, complex and high-profile deals. In conjunction with providing such restructuring advice, we may also assist with raising various forms of financing, including debt and equity. Our secondary advisory services provided by Park Hill Group include providing solutions to investing clients seeking portfolio liquidity, unfunded commitment relief and investments in secondary markets. Advisory Fees typically consist of advisory retainer and transaction-based fee arrangements. The amount and timing of the fees paid vary by the type of engagement. The majority of our Advisory Fees are dependent on the successful completion of a transaction.

A transaction can fail to be completed for many reasons, including failure of parties to agree upon final terms with the counterparty, to secure necessary board or shareholder approvals, to secure necessary financing or to achieve necessary regulatory approvals. In the case of bankruptcy engagements, fees are subject to approval of the court.

**Placement Fees** – Our fund placement services are provided within Park Hill Group and primarily serve private equity, real estate and hedge funds. Our team advises on all aspects of the fundraising process including competitive positioning and market assessment, marketing materials and related documentation and partnership terms and conditions most prevalent in the current environment. We also provide private placement fundraising services to our corporate clients and earn placement fees based on successful completion of the transaction.

<sup>1</sup> Source: Thomson Reuters. Aggregate mergers and acquisitions values extracted from the official Thomson Reuters Mergers & Acquisitions Review for First Half 2016, based on figures extracted from Thomson Reuters databases as of June 30, 2016.

Fund placement fees earned for services provided to alternative asset managers are typically recognized as earned upon acceptance by a fund of capital or capital commitments, in accordance with terms set forth in individual agreements. For commitment based fees, revenue is recognized as commitments are accepted (referred to as a “closing”). Fees for such closed-end fund arrangements are generally paid in quarterly installments over three or four years and interest is charged to the outstanding balance at an agreed upon rate (typically the London Interbank Offered Rate (“LIBOR”) plus a market-based margin). For funds with multiple closings, each closing is treated as a separate performance obligation. As a result, we recognize revenue at each closing as our performance obligations are fulfilled. For open-end structures, placement fees are typically calculated as a percentage of a placed investor’s month-end net asset value (“NAV”). Typically, we earn fees for such open-end fund structures over a 48 month period. For these arrangements, revenue is recognized monthly as the amounts become fixed and determinable.

We may receive non-refundable up-front fees upon execution of agreements with clients to provide placement services, which are recorded as revenues in the period over which services are provided.

Revenues from Affiliates – For periods presented prior to October 1, 2015, we reported revenues received from services provided to portfolio companies owned or controlled by Blackstone as well as funds managed by Blackstone as Revenues from Affiliates in our Condensed Consolidated and Combined Statements of Operations. There were no revenues earned from affiliates for the three and six months ended June 30, 2016. Advisory Fees from such assignments were 2.1% and 3.2% of our Advisory Fees for the three and six months ended June 30, 2015, respectively. Placement Fees from such assignments were 40.9% and 23.5% of our Placement Fees for the three and six months ended June 30, 2015, respectively.

Interest Income and Other – Interest Income and Other represents interest typically earned on Cash and Cash Equivalents and outstanding placement fees receivable as well as miscellaneous income and foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars. Interest on placement fees receivable is earned from the time revenue is recognized and is calculated based upon LIBOR plus an additional percentage as mutually agreed upon with the receivable counterparty. Interest receivable is included in Accounts Receivable in the Condensed Consolidated and Combined Statements of Financial Condition.

## Expenses

Compensation and Benefits – Compensation and Benefits expense includes employee and partner salaries, bonuses, benefits and employer taxes. Changes in this expense are driven by fluctuations in the number of employees, increases in wages as a result of inflation or labor market conditions, changes in rates for employer taxes and other cost increases affecting benefit plans. In addition, this expense is affected by the composition of our work force. The expense associated with our bonus and equity plans can also have a significant impact on this expense category and may vary from year to year.

We maintain compensation programs, including base salary, cash bonus awards, cash with clawback mechanisms and equity bonus awards and benefits programs and manage compensation to estimates of competitive levels based on market conditions and performance. Our level of compensation reflects our plan to maintain competitive compensation levels to retain key personnel and it reflects the impact of newly-hired senior professionals, including related grants of equity awards which are generally valued at their grant date.

Increasing the number of high-caliber, experienced senior level employees is critical to our growth efforts. In our advisory businesses, these hires generally do not begin to generate significant revenue in the year they are hired.

Our remaining expenses are the other costs typical to operating our business, which generally consist of:



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- Occupancy and Related – consisting primarily of costs related to leased property including rent, maintenance, real estate taxes, utilities and other related costs. Our company headquarters are located in New York, New York, and we maintain additional offices in the U.S. and throughout the world;
- Travel and Related – consisting of costs for our partners and employees to render services where our clients are located;
- Professional Fees – consisting principally of consulting, audit and tax, recruiting and legal services;

- Communications and Information Services – consisting primarily of costs for our technology infrastructure, telecommunications costs and fees paid for access to external market data;
- Depreciation and Amortization – depreciation and amortization on our furniture, fixtures and equipment and intangible assets; and
- Other Expenses – consisting principally of research, bad debt, regulatory fees and insurance.

Income Taxes – The Company is a corporation subject to U.S. federal, state and local income taxes in jurisdictions where it does business. The Company’s businesses generally operate as partnerships for U.S. federal and state purposes and as corporate entities in non-U.S. jurisdictions. In the U.S. federal and state jurisdictions, taxes related to income earned by these entities generally represent obligations of the individual members and partners. Prior to October 1, 2015, these taxes were not reflected in the Company’s condensed consolidated and combined financial statements.

The operating entities have generally been subject to New York City Unincorporated Business Tax (“UBT”) and to entity-level income taxes imposed by non-U.S. jurisdictions, as applicable. These taxes have been reflected in the Company’s condensed consolidated and combined financial statements.

Prior to October 1, 2015, the Company’s operations were included in the income tax returns of Blackstone’s subsidiaries, except for certain entities that were classified as partnerships for U.S. tax purposes. These partnerships were subject to New York City UBT and certain other foreign, state and local taxes, as applicable.

In connection with the spin-off from Blackstone on October 1, 2015, the Company became subject to U.S. corporate federal, state and local income tax on its allocable share of results of operations from the operating partnership (PJT Partners Holdings LP).

#### Redeemable Non-Controlling Interest

Following the spin-off on October 1, 2015, PJT Partners Inc. is a holding company and its only material asset is its controlling equity interest in PJT Partners Holdings LP, and certain cash and cash equivalents it may hold from time to time. As the sole general partner of PJT Partners Holdings LP, PJT Partners Inc. operates and controls all of the business and affairs and consolidates the financial results of PJT Partners Holdings LP and its subsidiaries. The holders of the Partnership Units have redemption rights not solely within PJT Partners’ control and thus their ownership interest is considered a redeemable non-controlling interest. Redeemable Non-Controlling Interests have been presented separately from Equity in the Condensed Consolidated and Combined Statements of Financial Condition.

Condensed Consolidated and Combined Results of Operations

The following table sets forth our condensed consolidated and combined results of operations for the three and six months ended June 30, 2016 and 2015:

|                                | Three Months Ended June 30, |                  |             | Six Months Ended June 30, |                   |             | Change |  |
|--------------------------------|-----------------------------|------------------|-------------|---------------------------|-------------------|-------------|--------|--|
|                                | 2016                        | 2015             | Change      | 2016                      | 2015              | Change      |        |  |
| (Dollars in Thousands)         |                             |                  |             |                           |                   |             |        |  |
| <b>Revenues</b>                |                             |                  |             |                           |                   |             |        |  |
| Advisory Fees                  | \$59,078                    | \$46,592         | 27 %        | \$140,632                 | \$105,266         | 34 %        |        |  |
| Placement Fees                 | 28,652                      | 25,189           | 14 %        | 60,603                    | 48,323            | 25 %        |        |  |
| <b>Interest Income and</b>     |                             |                  |             |                           |                   |             |        |  |
| Other                          | 1,554                       | 688              | 126 %       | 3,353                     | 1,205             | 178 %       |        |  |
| <b>Total Revenues</b>          | <b>89,284</b>               | <b>72,469</b>    | <b>23 %</b> | <b>204,588</b>            | <b>154,794</b>    | <b>32 %</b> |        |  |
| <b>Expenses</b>                |                             |                  |             |                           |                   |             |        |  |
| <b>Compensation and</b>        |                             |                  |             |                           |                   |             |        |  |
| Benefits                       | 71,964                      | 60,125           | 20 %        | 160,135                   | 139,760           | 15 %        |        |  |
| <b>Occupancy and</b>           |                             |                  |             |                           |                   |             |        |  |
| Related                        | 6,622                       | 8,762            | -24 %       | 13,040                    | 14,044            | -7 %        |        |  |
| Travel and Related             | 2,802                       | 3,055            | -8 %        | 5,547                     | 6,359             | -13 %       |        |  |
| Professional Fees              | 6,691                       | 3,007            | 123 %       | 10,187                    | 5,536             | 84 %        |        |  |
| <b>Communications and</b>      |                             |                  |             |                           |                   |             |        |  |
| Information Services           | 2,647                       | 1,761            | 50 %        | 4,700                     | 3,167             | 48 %        |        |  |
| <b>Depreciation and</b>        |                             |                  |             |                           |                   |             |        |  |
| Amortization                   | 4,025                       | 1,508            | 167 %       | 7,926                     | 3,035             | 161 %       |        |  |
| Other Expenses                 | 4,788                       | 690              | 594 %       | 10,575                    | 4,021             | 163 %       |        |  |
| <b>Total Expenses</b>          | <b>99,539</b>               | <b>78,908</b>    | <b>26 %</b> | <b>212,110</b>            | <b>175,922</b>    | <b>21 %</b> |        |  |
| <b>Loss Before</b>             |                             |                  |             |                           |                   |             |        |  |
| <b>Provision (Benefit)</b>     |                             |                  |             |                           |                   |             |        |  |
| for Taxes                      | (10,255)                    | (6,439)          | -59 %       | (7,522)                   | (21,128)          | 64 %        |        |  |
| <b>Provision (Benefit) for</b> |                             |                  |             |                           |                   |             |        |  |
| Taxes                          | (5,539)                     | 584              | N/M         | (4,237)                   | 2,002             | N/M         |        |  |
| <b>Net Loss</b>                | <b>(4,716)</b>              | <b>\$(7,023)</b> | <b>33 %</b> | <b>(3,285)</b>            | <b>\$(23,130)</b> | <b>86 %</b> |        |  |
| <b>Net Loss</b>                | <b>(4,393)</b>              |                  |             | <b>(3,217)</b>            |                   |             |        |  |

Attributable to

|                   |          |         |
|-------------------|----------|---------|
| Redeemable        |          |         |
| Non-Controlling   |          |         |
| Interests         |          |         |
| Net Loss          |          |         |
| Attributable to   |          |         |
| PJT Partners Inc. | \$(323 ) | \$(68 ) |

N/MNot meaningful.

The Company's results of operations for periods presented prior to October 1, 2015 reflect the historical financial results of operations of the strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses of Blackstone. The results of operations may not necessarily reflect our results of operations had we been a stand-alone company during the periods presented or what our financial results may be in the future. Additionally, the results of operations of PJT Capital LP are not included in the results of operations for periods presented prior to October 1, 2015 as the acquisition did not occur until October 1, 2015.

We have incurred certain costs during the transition to being a stand-alone public company. These costs have included, for example, additional accounting, tax and other professional costs pertaining to the spin-off and establishment of PJT Partners as a stand-alone public company, recruiting and relocation costs associated with hiring personnel, costs related to establishing our brand in the marketplace and costs to build out our corporate infrastructure. The results of operations for the three and six months ended June 30, 2016 reflect these additional costs.

## Revenues

The following table provides revenue statistics for the three and six months ended June 30, 2016 and 2015:

|   | Three Months Ended June 30, |       | Six Months Ended June 30, |       |
|---|-----------------------------|-------|---------------------------|-------|
|   | 2016                        | 2015  | 2016                      | 2015  |
| <b>Advisory Fees</b>                                  |                             |       |                           |       |
| Number of Clients                                     | 66                          | 57    | 94                        | 86    |
| Number of Fee-Paying Clients with \$1 Million or More | 13                          | 10    | 37                        | 32    |
| Number of Fee-Paying Clients Representing             |                             |       |                           |       |
| Greater than 10% of Advisory Fees                     | 1                           | 2     | —                         | —     |
| Percentage of Such Clients' Fees of Total             |                             |       |                           |       |
| Advisory Fees   | 12.7%                       | 28.0% | N/A                       | N/A   |
| <b>Placement Fees</b>                                 |                             |       |                           |       |
| Number of Clients                                     | 46                          | 39    | 56                        | 44    |
| Number of Fee-Paying Clients with \$1 Million or More | 9                           | 7     | 16                        | 16    |
| Number of Fee-Paying Clients Representing             |                             |       |                           |       |
| Greater than 10% of Placement Fees                    | 2                           | 2     | 1                         | 1     |
| Percentage of Such Clients' Fees of Total             |                             |       |                           |       |
| Placement Fees  | 33.0%                       | 34.7% | 12.5%                     | 10.3% |

Total Revenues were \$89.3 million for the three months ended June 30, 2016, an increase of \$16.8 million compared with Total Revenues for the three months ended June 30, 2015 of \$72.5 million. The increase in Total Revenues was primarily attributable to increases of \$12.5 million in Advisory Fees and \$3.5 million in Placement Fees. The increase in Advisory Fees was primarily driven by an increase in strategic advisory activity, resulting in an increase in the number of transactions that closed during the quarter. The increase in Placement Fees was primarily due to an increase in the number of fund placement transactions that closed during the quarter.

Total Revenues were \$204.6 million for the six months ended June 30, 2016, an increase of \$49.8 million compared with Total Revenues for the six months ended June 30, 2015 of \$154.8 million. The increase in Total Revenues was primarily attributable to increases of \$35.4 million in Advisory Fees and \$12.3 million in Placement Fees. The increase in Advisory Fees was primarily driven by an increase in restructuring activity, particularly in the first quarter, resulting in an increase in the number and size of transactions that closed during the six months ended June 30, 2016. The increase in Placement Fees was primarily due to an increase in the number and size of fund placement transactions that closed during the six months ended June 30, 2016.

#### Expenses

Expenses were \$99.5 million for the three months ended June 30, 2016, an increase of \$20.6 million compared with \$78.9 million for the three months ended June 30, 2015. The increase in expenses was primarily attributable to increases in Compensation and Benefits, Other Expenses, Professional Fees and Depreciation and Amortization of \$11.8 million, \$4.1 million, \$3.7 million and \$2.5 million, respectively. These increases were partially offset by a decrease of \$2.1 million in Occupancy and Related Expenses. The increase in Compensation and Benefits was primarily related to an increase in revenues compared with the three months ended June 30, 2015. The increase in Other Expenses primarily related to an increase in bad debt expense in the second quarter of 2016 while the second

quarter of 2015 included bad debt recovery, as well as increased costs associated with the Company's operation as a stand-alone public company since October 1, 2015. The increase in Professional Fees was primarily related to additional costs incurred related to the Caspersen matter. The increase in Depreciation and Amortization was primarily related to amortization expense related to intangible assets identified in connection with the acquisition of PJT Capital LP on October 1, 2015. The decrease in Occupancy and Related Expense was primarily related to the reflection of rent expense in the three months ended June 30, 2015 for both current and previous office locations during the period of transition.

Expenses were \$212.1 million for the six months ended June 30, 2016, an increase of \$36.2 million compared with \$175.9 million for the six months ended June 30, 2015. The increase in expenses was primarily attributable to increases in Compensation and Benefits, Other Expenses, Depreciation and Amortization and Professional Fees of \$20.4 million, \$6.6 million, \$4.9 million and \$4.7 million, respectively. The increase in Compensation and Benefits was primarily related to an increase in revenues compared with the six months ended June 30, 2015. The increase in Other Expenses was primarily related to the accrual associated with the Caspersen matter that was recorded in the first quarter of 2016, the bad debt expense in the second quarter of 2016 versus the bad debt recovery in the second quarter of 2015 and the reflection of increased costs associated with the Company's operation as a stand-alone public company since October 1, 2015. The increase in Depreciation and Amortization was primarily related to amortization expense related to intangible assets identified in connection with the acquisition of PJT Capital LP on October 1, 2015. The increase in Professional Fees was primarily related to costs incurred related to the Caspersen matter.

#### Provision (Benefit) for Taxes

The Company's Benefit for Taxes for the three months ended June 30, 2016 was \$5.5 million, which represents an annualized effective tax rate of 54.0% on a pretax loss of \$10.3 million. The Company's Provision for Taxes for the three months ended June 30, 2015 was \$0.6 million, which represents an annualized effective tax rate of -9.1% on a pretax loss of \$6.4 million.

The Company's Benefit for Taxes for the six months ended June 30, 2016 was \$4.2 million, which represents an annualized effective tax rate of 56.3% on a pretax loss of \$7.5 million. The Company's Provision for Taxes for the six months ended June 30, 2015 was \$2.0 million, which represents an annualized effective tax rate of -9.5% on a pretax loss of \$21.1 million.

The Company's effective tax rate for the three and six months ended June 30, 2016 was largely attributable to corporate entities subject to U.S. federal, state, local and foreign income taxes; to non-corporate entities that are subject to New York City UBT and to certain compensation charges that are not deductible for tax purposes.

The Company's effective tax rate for the three and six months ended June 30, 2015 was largely attributable to foreign income tax, New York City UBT and to certain compensation charges that are not deductible for tax purposes.

#### Redeemable Non-Controlling Interests

Net Income (Loss) Attributable to Redeemable Non-Controlling Interests is derived from the Income (Loss) Before Provision for Taxes and the percentage allocation of the income (loss) between the holders of Partnership Units and holders of Class A common stock of PJT Partners Inc. after considering any contractual arrangements that govern the allocation of income (loss). Prior to the spin-off on October 1, 2015, redeemable non-controlling interests had not been presented in the financial statements.





## Liquidity and Capital Resources

### General

We regularly monitor our liquidity position, including cash and cash equivalents, working capital assets and liabilities, any commitments and other liquidity requirements.

Our assets have historically comprised cash and receivables earned from strategic advisory and placement fees. Our liabilities primarily include accrued compensation and benefits, accounts payable and accrued expenses and taxes payable. Prior to the spin-off on October 1, 2015, intercompany amounts due to Blackstone were typically settled monthly, which included settlements of accruals for forecast year-end incentive compensation. Blackstone retained and paid the accrual for year-end incentive compensation in respect of amounts recorded at September 30, 2015. Incentive compensation recorded during the fourth quarter of 2015 and going forward is recorded and paid by us. We expect to pay a significant amount of incentive compensation late each year or during the first two months of each calendar year with respect to the prior year's results. A significant portion of annual compensation is awarded with equity-based compensation and thus requires less cash. We expect levels of cash to decline at year-end or during the first quarter of each year after incentive compensation is paid to our employees. We then expect cash to gradually increase over the remainder of the year.

Additionally, in connection with the spin-off, we entered into a credit facility with First Republic Bank to provide a \$60 million revolving credit facility, with the ability to increase the credit facility up to \$80 million during the period beginning December 1 each year through March 1 the following year, so long as no event of default has occurred and is continuing or would be caused by exercising such option. The revolving credit facility is further described in Note 11. "Commitments and Contingencies—Commitments, Line of Credit" in the "Notes to Condensed Consolidated and Combined Financial Statements" in "Part I. Item 1. Financial Statements" of this filing. As of June 30, 2016 and December 31, 2015, there were no borrowings under the revolving credit facility and we were in compliance with all debt covenants.

We evaluate our cash needs on a regular basis in light of current market conditions. As of June 30, 2016 and December 31, 2015, we had cash and cash equivalents of \$103.2 million and \$82.3 million, respectively.

Our liquidity is highly dependent upon cash receipts from clients, which are generally dependent upon the successful completion of transactions as well as the timing of receivable collections. As of June 30, 2016 and December 31, 2015, total accounts receivable were \$184.6 million and \$169.6 million, respectively, net of allowance for doubtful accounts of \$2.2 million and \$0.9 million, respectively. As of June 30, 2016 and December 31, 2015, \$64.9 million and \$62.6 million, respectively, of receivables attributable to our private fund advisory and placement business were expected to be collected at or more than one year from each date.

### Sources and Uses of Liquidity

Our primary cash needs are for working capital, paying operating expenses, including cash compensation to our employees, funding the cash redemption of Partnership Units, paying income taxes, making distributions to our shareholders in accordance with our dividend policy, capital expenditures, commitments and strategic investments. We expect to fund these liquidity requirements through cash flows from operations and borrowings under our revolving credit facility. Our ability to fund these needs through cash flows from operations will depend, in part, on our ability to generate or raise cash in the future, which depends on our future financial results, which are subject to general economic, financial, competitive, legislative and regulatory factors. Furthermore, our ability to forecast future cash flows is more limited because we do not have a long-established operating history as a stand-alone company. If our cash flows from operations are less than we expect, we may need to incur additional debt, issue additional equity

or borrow from our revolving credit facility. Although we believe that the arrangements we have in place will permit us to finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including: (a) our credit ratings or absence of a credit rating, (b) the liquidity of the overall capital markets, and (c) the current state of the economy. We cannot provide any assurance that such financing will be available to us on acceptable terms or that such financing will be available at all. We believe that our future cash from operations and availability under our revolving credit facility, together with our access to funds on hand, will provide adequate resources to fund our short-term and long-term liquidity and capital needs.

Subject to the terms and conditions of the exchange agreement between us and certain of the holders of Partnership Units, Partnership Units are exchangeable at the option of the holder for cash, or, at our election, for shares of our Class A common stock on a one-for-one basis. Depending on our liquidity and capital resources, market conditions, the timing and concentration of exchange requests and other considerations, we may choose to fund cash-settled exchanges of Partnership Units with available cash, borrowings or new issuances of Class A common stock or to settle exchanges by issuing Class A common stock to the exchanging Partnership Unitholder. Issuing significant numbers of shares of our Class A common stock upon exchange of Partnership Units could adversely affect the tax consequences to Blackstone of the distribution. Accordingly, while we will retain the right under the Exchange Agreement to elect to settle exchanges in cash or Class A common stock in our sole discretion, we intend to limit such issuances of Class A common stock in settlement of exchanges of Partnership Units to the extent necessary to preserve the intended tax-free nature of the spin-off and to comply with our obligations under the Tax Matters Agreement.

### Regulatory Capital

We actively monitor our regulatory capital base. We are subject to regulatory requirements in the U.S. and certain international jurisdictions to ensure general financial soundness and liquidity. This requires, among other things, that we comply with certain minimum capital requirements, recordkeeping, reporting procedures, experience and training requirements for employees and certain other requirements and procedures. These regulatory requirements may restrict the flow of funds to and from affiliates. See Note 13. “Regulated Entities” in the “Notes to Condensed Consolidated and Combined Financial Statements” in “Part I. Item 1. Financial Statements” of this filing for further information. The licenses under which we operate are meant to be appropriate to conduct our strategic advisory, restructuring and special situations and private fund advisory and placement services. We believe that we provide each of these entities with sufficient capital and liquidity, consistent with their business and regulatory requirements.

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

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

### Contractual Obligations

For a discussion of our contractual obligations, refer to “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations, Commitments and Contingencies” in the Company’s Annual Report on Form 10 K for the year ended December 31, 2015. There have not been any material changes to the Company’s contractual obligations since December 31, 2015.

### Commitments and Contingencies

As also discussed in Note 11. “Commitments and Contingencies—Litigation” in the “Notes to Condensed Consolidated and Combined Financial Statements” in “Part I. Item 1. Financial Statements” of this filing, the Company recorded an expense of \$8.9 million related to the Caspersen matter, which represents the amount that is considered to be probable and reasonably estimable. We have also assessed that it is probable that the Company will receive \$5.6 million in related insurance reimbursement, which has also been recorded in the financial statements.

With respect to potential additional claims related to funds fraudulently obtained by Mr. Caspersen, we believe that the total potential amount of any such claims to be less than \$30 million and any such claims would be without merit and we would vigorously defend any such actions.

For other matters, including the litigation discussed under the caption “Legal Proceedings” elsewhere in this report, we are not currently able to estimate the possible loss or range of loss. We are often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support such an assessment, including quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by courts on motions or appeals, analysis by experts or the status of any settlement negotiations.

However, the disposition of these contingencies could be material to our financial results in the period in which it occurs.

See Notes 7, 9, 11 and 12 in the “Notes to Condensed Consolidated and Combined Financial Statements” in “Part I. Item 1. Financial Statements” of this filing for further information in connection with income taxes, equity compensation plans, commitments and employee benefit plans, respectively.

#### Tax Receivable Agreement

For a discussion of the tax receivable agreement, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. The tax receivable agreement pertains to exchanges by holders of Partnership Units in PJT Partners Holdings LP and such exchanges may not occur prior to October 1, 2016.

#### Indemnifications

We enter into contracts, including contracts with Blackstone relating to the spin-off, that contain a variety of indemnifications. Our maximum exposure under these arrangements is not known. However, we have not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

#### Critical Accounting Policies

Our significant accounting policies are summarized in Note 2. “Summary of Significant Accounting Policies” in the “Notes to Consolidated and Combined Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” in our Annual Report on Form 10-K for the year ended December 31, 2015. A discussion of critical accounting policies is included in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2015. There were no significant changes in our significant accounting policies or critical accounting policies during the six months ended June 30, 2016.

#### Off-Balance Sheet Arrangements

The Company is not involved with any off-balance sheet arrangements that are not elsewhere reflected in our condensed consolidated and combined financial statements.

#### Recent Accounting Developments

Information regarding recent accounting developments and their impact on the Company can be found in Note 2. “Summary of Significant Accounting Policies” in the “Notes to Condensed Consolidated and Combined Financial Statements” in “Part I. Item 1. Financial Statements” of this filing.

Emerging Growth Company Implications

Information regarding our emerging growth company status and implications can be found in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk can be found in “Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2015. Our exposures to market risk have not changed materially since December 31, 2015.

### ITEM 4. CONTROLS AND PROCEDURES

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective at the reasonable assurance level to accomplish their objectives of ensuring that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

No change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during our most recent quarter, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company and its affiliates may be subject to legal proceedings and claims in the ordinary course of business. In addition, government agencies and self-regulatory organizations in countries in which we conduct business, conduct periodic examinations and initiate administrative proceedings regarding the Company's and its affiliates' business, including, among other matters, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, investment advisor, or its directors, officers or employees. It is our policy to cooperate fully with such governmental requests, examinations and administrative proceedings. In view of the inherent difficulty of determining whether any loss in connection with any such matters is probable and whether the amount of such loss can be reasonably estimated, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, we cannot estimate the amount of such loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, we believe, based on current knowledge and after consultation with counsel, that we are not currently party to any material pending proceedings, individually or in the aggregate, the resolution of which would have a material effect on the Company.

On April 15, 2016, Plaintiff Gregory G. Barrett filed in the Southern District of New York a putative class action for violation of the federal securities laws against defendants PJT Partners Inc. and Andrew W. W. Caspersen in an action styled Gregory G. Barrett v. PJT Partners Inc. and Andrew W. W. Caspersen, No. 1:16-cv-02841-VEC (S.D.N.Y.). Generally, the complaint alleges that PJT Partners Inc. made misstatements about its business, operational and compliance policies and its compliance and fraud-prevention controls. These alleged misstatements allegedly caused members of the putative class, investors who purchased PJT Partners common stock during the class period, November 12, 2015 to March 28, 2016, to pay an inflated price for PJT Partners common stock. The complaint alleges claims under section 10(b) and Rule 10b-5 of the Exchange Act against PJT Partners Inc. and Caspersen, and under 20(a) of the Exchange Act against Caspersen. On June 14, 2016, plaintiff Gregory G. Barrett filed a motion for appointment as lead plaintiff and for approval of Pomerantz LLP as lead counsel. No opposition to the motion was filed, and it is still pending. We believe that this shareholder action is without merit and will defend it vigorously.

On May 11, 2016, Plaintiff Eugene Stricker, derivatively on behalf of nominal defendant PJT Partners Inc., filed in the Southern District of New York (No. 1:16-cv-03521) an action for breach of fiduciary duty, gross mismanagement and contribution under sections 10(b) and 21(D) of the Exchange Act against Andrew W. W. Caspersen; our Chairman and Chief Executive Officer, Paul J. Taubman; our Chief Financial Officer, Helen T. Meates; and our Directors Kenneth C. Whitney, Dennis S. Hersch, Thomas M. Ryan and Emily K. Rafferty. Generally, the complaint alleged that the defendants breached their fiduciary duties by allegedly causing PJT Partners to make false and/or misleading statements or omissions regarding its compliance and fraud-prevention controls, allegedly causing PJT's public statements to be materially false and misleading. In addition, the complaint alleged that Mr. Whitney, Mr. Hersch and Ms. Rafferty failed appropriately to carry out their duties as members of the Audit Committee. On June 28, 2016, plaintiff voluntarily dismissed the complaint without prejudice.

### ITEM 1A. RISK FACTORS

Except for the risk factor set forth below, there were no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

Uncertainty regarding the outcome of future arrangements between the European Union and the United Kingdom may adversely affect our business.



We have a presence in European Union countries, including the United Kingdom (“U.K.”). On June 23, 2016, the U.K. voted in favor of a referendum to leave the European Union. At the time that the U.K. ultimately leaves the European Union, the commercial, regulatory and legal environment that would exist, and to which our U.K. operations would be subject, would be impacted by the nature of arrangements that are yet to be determined between the U.K. and the European Union. These arrangements are difficult to predict, and uncertainty regarding their

outcome may continue for a significant period of time. We currently do not expect that any of the potential arrangements that are likely to be agreed would have a material adverse impact on our business. These potential arrangements may, however, result in certain changes in the way that we conduct our businesses, which could result in increased costs. Our U.K. entity, PJT Partners (UK) Limited, primarily services European-domiciled clients. Adverse conditions arising from a U.K. exit from the European Union could adversely affect our U.K. business and operations, including by reducing the volume or size of mergers, acquisitions, divestitures and other strategic corporate transactions on which we seek to advise. A U.K. exit from the European Union could also cause PJT Partners (UK) Limited to lose its European Union financial services passport license, which allows it to operate, on a cross-border and off-shore basis, into all European Union countries without obtaining regulatory approval outside of the U.K., which would increase our legal, compliance and operational costs. In addition, the result of the referendum and the uncertainty it produced has impacted geopolitical perspectives and macroeconomic factors including interest rates, foreign currency exchange rates and equity markets, and it has increased volatility in many of the markets in which we operate. If these conditions continue or if current conditions worsen, our advisory business may be adversely affected, which may materially impact our financial position and results of operations. See “Part I. Item 1A. Risk Factors—Changing market conditions can adversely affect our business in many ways, including by reducing the volume of the transactions involving our business, which could materially reduce our revenue” in our Annual Report on Form 10-K for the year ended December 31, 2015.

The risks described in our Annual Report on Form 10-K for the year ended December 31, 2015 and in our subsequently filed Quarterly Reports on Form 10 Q are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered sales of equity securities during the three months ended June 30, 2016.

### Dividend Policy

The Company declared a dividend of \$0.05 per share of Class A common stock in the second quarter of 2016 and plans to regularly pay quarterly dividends.

Refer to “Part II. Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 for further disclosure of the Company’s dividend policy.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.



ITEM 6. EXHIBITS

Exhibit

Number Exhibit Description

- 2.1 Separation and Distribution Agreement by and among The Blackstone Group L.P., Blackstone Holdings I L.P., New Advisory GP L.L.C., PJT Partners Inc. and PJT Partners Holdings LP, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).
- 3.1 Amended and Restated Certificate of Incorporation of PJT Partners Inc. (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).
- 3.1.1 Certificate of Designation of Series A Junior Participating Preferred Stock of PJT Partners Inc. (incorporated herein by reference to Exhibit 3.1.1 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).
- 3.2 Amended and Restated By-Laws of PJT Partners Inc. (incorporated herein by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).
- 10.1+ Form of Restricted Stock Unit Award Agreement.
- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

+Indicates management contract or compensatory plan or arrangement

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:  
August 11,  
2016

PJT Partners Inc.

~~By~~/ Paul J. Taubman  
~~Name~~: J. Taubman  
~~Title~~ Chief Executive Officer

~~By~~/ Helen T. Meates  
~~Name~~ Helen T. Meates  
~~Title~~ Chief Financial Officer  
(Principal Financial and Accounting Officer)