

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, 2018
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

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(Address of principal executive offices)(Zip Code)

(212) 364-7800

(Registrant's telephone number, including area code)

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of July 30, 2018, there were 20,536,031 shares of Class A common stock, par value \$0.01 per share, and 213 shares of Class B common stock, par value \$0.01 per share, outstanding.

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PJT Partners Inc. was formed in connection with certain merger and spin-off transactions whereby the financial and strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses of The Blackstone Group L.P. (“Blackstone” or our “former Parent”) were combined with PJT Capital LP, a financial advisory firm founded by Paul J. Taubman in 2013 (together with its then affiliates, “PJT Capital”), and the combined business was distributed to Blackstone’s unitholders to create PJT Partners Inc., a stand-alone, independent publicly traded company. Throughout this Quarterly Report on Form 10-Q, we refer to this transaction as the “spin-off” or the “acquisition.” PJT Partners Inc. is a holding company and its only material asset is its controlling equity interest in PJT Partners Holdings LP, a holding partnership that holds the company’s operating subsidiaries, 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 of PJT Partners Holdings LP and its operating subsidiaries.

Additionally in this Quarterly Report on Form 10-Q, unless the context requires otherwise, the words “PJT Partners Inc.” refers to PJT Partners Inc., and “PJT Partners,” the “Company,” “we,” “us” and “our” refer to PJT Partners Inc., together with its consolidated subsidiaries, including PJT Partners Holdings LP and its operating subsidiaries.

Forward-Looking Statements

Certain material presented herein contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements include certain information concerning future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “plan,” “intend,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “may,” “might,” “should,” “could” or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in such forward-looking statements. You should not put undue reliance on any forward-looking statements contained herein. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

The risk factors discussed in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the United States Securities and Exchange Commission (“SEC”), as such factors may be updated from time to time in our periodic filings with the SEC, accessible on the SEC’s website at www.sec.gov, could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that are not currently expected to have a material adverse effect on our business. Any such risks could cause our results to differ materially from those expressed in forward-looking statements.

Website Disclosure

We use our website (www.pjtpartners.com) as a channel of distribution of company information. The information we post may be deemed material. Accordingly, investors should monitor the website, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about PJT Partners when you enroll your e-mail address by visiting the “Investor Relations” page of our website at ir.pjtpartners.com/investor-relations. Although we refer to our website in this report, the contents of our website are not included or incorporated by reference into this report. All references to our website in this report are intended to be inactive textual references only.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PJT Partners Inc.

Condensed Consolidated Statements of Financial Condition (Unaudited)

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

	June 30, 2018	December 31, 2017
Assets		
Cash and Cash Equivalents	\$95,534	\$ 145,619
Investments	25,363	37,121
Accounts Receivable (net of allowance for doubtful accounts of \$1,934		
at June 30, 2018 and December 31, 2017)	211,808	190,389
Intangible Assets, Net	11,128	12,295
Goodwill	72,286	72,286
Furniture, Equipment and Leasehold Improvements, Net	36,732	33,789
Deferred Tax Asset, Net	50,030	44,002
Taxes Receivable	10,579	8,666
Other Assets	20,284	14,798
Total Assets	\$533,744	\$ 558,965
Liabilities and Equity (Deficit)		
Accrued Compensation and Benefits	\$68,304	\$ 96,944
Accounts Payable, Accrued Expenses and Other Liabilities	20,082	16,873
Deferred Rent Liability	16,974	17,042
Amount Due Pursuant to Tax Receivable Agreement	4,896	2,857
Taxes Payable	2,091	2,413
Deferred Revenue	3,521	382
Total Liabilities	115,868	136,511
Commitments and Contingencies		
Equity (Deficit)		
Class A Common Stock, par value \$0.01 per share (3,000,000,000		
shares authorized; 21,261,616 and 18,599,454 issued at June 30,		
2018 and December 31, 2017, respectively; 20,722,489 and 18,539,121		
outstanding at June 30, 2018 and December 31, 2017, respectively)	213	186
Class B Common Stock, par value \$0.01 per share (1,000,000		
shares authorized; 213 issued and outstanding at June 30, 2018;		
221 issued and outstanding at December 31, 2017)	—	—
Additional Paid-In Capital	48,487	30,674
Accumulated Deficit	(182,588)	(185,991)

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Accumulated Other Comprehensive Income (Loss)	(73)	155
Treasury Stock at Cost (539,127 and 60,333 shares at June 30, 2018 and		
December 31, 2017, respectively)	(28,029)	(2,302)
Total PJT Partners Inc. Equity (Deficit)	(161,990)	(157,278)
Non-Controlling Interests	579,866	579,732
Total Equity	417,876	422,454
Total Liabilities and Equity	\$533,744	\$ 558,965

See notes to condensed consolidated financial statements.

PJT Partners Inc.

Condensed Consolidated Statements of Operations (Unaudited)

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

	Three Months Ended		Six Months Ended June 30,	
	June 30, 2018	2017	2018	2017
Revenues				
Advisory Fees	\$98,294	\$73,349	\$201,757	\$172,688
Placement Fees	28,132	33,503	54,252	53,005
Interest Income and Other	4,244	2,458	8,703	4,586
Total Revenues	130,670	109,310	264,712	230,279
Expenses				
Compensation and Benefits	94,273	87,564	197,905	183,240
Occupancy and Related	6,573	6,659	13,376	12,865
Travel and Related	5,987	3,073	11,457	5,956
Professional Fees	4,019	4,803	9,218	8,992
Communications and Information Services	3,260	2,854	6,740	5,267
Depreciation and Amortization	2,092	2,022	4,099	4,114
Other Expenses	4,328	4,418	9,160	9,840
Total Expenses	120,532	111,393	251,955	230,274
Income (Loss) Before Benefit for Taxes	10,138	(2,083)	12,757	5
Benefit for Taxes	(882)	(1,518)	(4,992)	(2,389)
Net Income (Loss)	11,020	(565)	17,749	2,394
Net Income (Loss) Attributable to				
Non-Controlling Interests	4,075	(780)	5,568	846
Net Income Attributable to PJT Partners Inc.	\$6,945	\$215	\$12,181	\$1,548
Net Income Per Share of Class A Common Stock				
Basic	\$0.30	\$0.01	\$0.57	\$0.08
Diluted	\$0.30	\$0.01	\$0.55	\$0.08
Weighted-Average Shares of Class A Common				
Stock Outstanding				
Basic	22,641,562	18,825,696	20,987,863	18,654,187
Diluted	24,185,020	18,825,696	22,689,344	18,654,187
Dividends Declared Per Share of Class A				
Common Stock	\$0.05	\$0.05	\$0.10	\$0.10

See notes to condensed consolidated financial statements.

PJT Partners Inc.

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

(Dollars in Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income (Loss)	\$11,020	\$(565)	\$17,749	\$2,394
Other Comprehensive Income (Loss), Net of Tax —				
Currency Translation Adjustment	(1,231)	60	(462)	62
Comprehensive Income (Loss)	9,789	(505)	17,287	2,456
Less:				
Comprehensive Income (Loss) Attributable to				
Non-Controlling Interests	3,476	(744)	5,334	883
Comprehensive Income Attributable to PJT Partners Inc.	\$6,313	\$239	\$11,953	\$1,573

See notes to condensed consolidated financial statements.

PJT Partners Inc.

Condensed Consolidated Statements of Changes in Equity (Deficit) (Unaudited)

(Dollars in Thousands, Except Share Data)

	Shares						Accumulated		Redeemable
	Class A	Class B	Class A	Class B	Additional		Other		Non-
	Common	Common	Common	Common	Paid-In	Accumulated	Comprehensive		Controlling
	Stock	Stock	Stock	Stock	Capital	Deficit	Income	Total	Interests
Balance at December 31, 2016	18,003,272	271	\$ 180	\$ —	\$ 9,145	\$(17,946)	\$ 61	\$(8,560)	\$ 421,976
Net Income	—	—	—	—	—	1,548	—	1,548	846
Currency Translation Adjustment	—	—	—	—	—	—	25	25	37
Dividends	—	—	—	—	—	(1,900)	—	(1,900)	—
Tax Distributions	—	—	—	—	—	—	—	—	(13,691)
Equity-Based Compensation	—	—	—	—	38,716	—	—	38,716	21,974
Forfeiture Liability for Equity Awards	—	—	—	—	147	—	—	147	—
Net Share Settlement	—	—	—	—	(3,463)	—	—	(3,463)	(35)
Deliveries of Vested Shares of Class A									
Common Stock	519,573	—	5	—	(5)	—	—	—	—
Issuance of Shares of Class B Common Stock	—	7	—	—	(1,662)	—	—	(1,662)	1,662
Forfeitures of Shares of Class B Common Stock	—	(1)	—	—	—	—	—	—	—
Cash-Settled Exchanges of Partnership Units	—	(27)	—	—	416	—	—	416	(32,166)
Adjustment of Redeemable Non-Controlling Interests to Redemption Value	—	—	—	—	(43,294)	(131,694)	—	(174,988)	174,988
Balance at June 30, 2017	18,522,845	250	\$ 185	\$ —	\$ —	\$(149,992)	\$ 86	\$(149,721)	\$ 575,591

(continued)

See notes to condensed consolidated financial statements.

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PJT Partners Inc.

Condensed Consolidated Statements of Changes in Equity (Deficit) (Unaudited)

(Dollars in Thousands, Except Share Data)

	Shares							Accumulated			
	Class A	Class B	Treasury	Class A	Class B	Additional	Accumulated	Other	Treasury	Non-	
	Common	Common	Stock	Common	Common	Paid-In	Deficit	Comprehensive	Stock	Controlling	Total
	Stock	Stock	Stock	Stock	Stock	Capital	Deficit	(Loss)	Stock	Interests	Total
Balance at December 31, 2017	18,599,454	221	(60,333)	\$ 186	\$—	\$30,674	\$(185,991)	\$ 155	\$(2,302)	\$579,732	\$422,454
Adoption of Accounting Standard	—	—	—	—	—	—	(6,696)	—	—	—	(6,696)
Net Income	—	—	—	—	—	—	12,181	—	—	5,568	17,749
Currency Translation Adjustment	—	—	—	—	—	—	—	(228)	—	(234)	(462)
Dividends	—	—	—	—	—	—	(2,082)	—	—	—	(2,082)
Tax Distributions	—	—	—	—	—	—	—	—	—	(15)	(15)
Equity-Based Compensation	—	—	—	—	—	41,440	—	—	—	22,714	64,154
Forfeiture	—	—	—	—	—	—	—	—	—	—	—
Liability for Equity Awards	—	—	—	—	—	109	—	—	—	—	109
Net Share Settlement	—	—	—	—	—	(21,052)	—	—	—	—	(21,052)
Deliveries of Vested Shares of											
Class A Common Stock	2,662,162	—	—	27	—	(27)	—	—	—	—	—
Issuance of Shares of Class B											
Common Stock	—	6	—	—	—	(3,019)	—	—	—	3,019	—
Cash-Settled Exchanges of	—	(14)	—	—	—	362	—	—	—	(30,918)	(30,556)

Partnership
Units

Treasury Stock											
Purchases	—	—	(478,794)	—	—	—	—	—	(25,727)	—	(25,727)
Balance at											
June 30, 2018	21,261,616	213	(539,127)	\$213	\$—	\$48,487	\$(182,588)	\$(73)	\$(28,029)	\$579,866	\$417,876

See notes to condensed consolidated financial statements.

PJT Partners Inc.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in Thousands)

	Six Months Ended June 30,	
	2018	2017
Operating Activities		
Net Income	\$ 17,749	\$ 2,394
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in)		
Operating Activities		
Equity-Based Compensation Expense	64,154	60,690
Depreciation and Amortization Expense	4,099	4,114
Bad Debt Expense	—	607
Foreign Currency Transaction Loss (Gain)	860	(1,229)
Deferred Taxes	(3,498)	(1,370)
Other	(2,038)	—
Cash Flows Due to Changes in Operating Assets and Liabilities		
Accounts Receivable	(30,308)	9,252
Taxes Receivable	(1,913)	(15,635)
Other Assets	(5,742)	3,939
Accrued Compensation and Benefits	(28,095)	(67,586)
Accounts Payable, Accrued Expenses and Other Liabilities	3,053	1,091
Deferred Rent Liability	14	(122)
Taxes Payable	(314)	(295)
Deferred Revenue	2,133	(355)
Net Cash Provided by (Used in) Operating Activities	20,154	(4,505)
Investing Activities		
Purchases of Investments	(20,861)	(34,995)
Maturities of Investments	35,185	—
Purchases of Furniture, Equipment and Leasehold Improvements	(5,960)	(527)
Net Cash Provided by (Used in) Investing Activities	8,364	(35,522)
Financing Activities		
Dividends	(2,082)	(1,900)
Tax Distributions	(15)	(13,691)
Employee Taxes Paid for Shares Withheld	(21,052)	(3,498)
Cash-Settled Exchanges of Partnership Units	(30,918)	(32,166)
Treasury Stock Purchases	(25,727)	—
Payments Pursuant to Tax Receivable Agreement	(10)	—
Principal Payments on Capital Lease Obligations	(51)	(47)
Net Cash Used in Financing Activities	(79,855)	(51,302)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,252	(222)
Net Decrease in Cash and Cash Equivalents	(50,085)	(91,551)
Cash and Cash Equivalents, Beginning of Period	145,619	152,431

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Cash and Cash Equivalents, End of Period	\$95,534	\$60,880
Supplemental Disclosure of Cash Flows Information		
Payments for Income Taxes, Net of Refunds Received	\$647	\$14,838
Non-Cash Receipt of Shares	\$2,254	\$—

See notes to condensed consolidated financial statements.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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

1. ORGANIZATION

PJT Partners Inc. and its consolidated subsidiaries (the “Company” or “PJT Partners”) deliver 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 unique portfolio of advisory services designed to help clients achieve their strategic objectives. Also, through 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.

On October 1, 2015, The Blackstone Group L.P. (“Blackstone” or the “former Parent”) 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.”

PJT Partners Inc. is 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, 2018, the non-controlling interest was 42.8%. 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 operating subsidiaries. The Company operates through the following subsidiaries: PJT Partners LP, Park Hill Group LLC, PJT Partners (UK) Limited and PJT Partners (HK) Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company prepared the accompanying condensed consolidated 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 financial statements, including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated 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 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, 2017.

Intercompany transactions have been eliminated for all periods presented.

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, 2017.

Certain prior year amounts have been reclassified to conform to the current year presentation.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

Recent Accounting Developments

In June 2014, the Financial Accounting Standards Board (“FASB”) issued amended guidance on revenue from contracts with customers. The Company adopted the guidance using the modified retrospective approach as of January 1, 2018 applied to those contracts that were not completed as of January 1, 2018. The Company recognized the cumulative effect of initially applying the new revenue guidance as an adjustment to the opening balance of Accumulated Deficit. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. On an ongoing basis, the effect of the change in timing of revenue and expense recognition could be material to any given reporting period.

The impact of the changes to the Company’s Condensed Consolidated Statement of Financial Condition for the adoption of the new revenue guidance was as follows:

	December 31, 2017	Adjustments	January 1, 2018
Assets			
Accounts Receivable, Net	\$ 190,389	\$ (5,681)	\$ 184,708
Liabilities			
Deferred Revenue	382	1,015	1,397
Equity (Deficit)			
Accumulated Deficit	(185,991)	(6,696)	(192,687)

In accordance with the new revenue guidance requirements, the disclosure of the impact of adoption on the Condensed Consolidated Statement of Financial Condition and Statement of Operations is as follows as of and for the three and six months ended June 30, 2018:

Three Months Ended June 30, 2018	Without Adoption of Revenue Standard	Effect of Change
As Reported		

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Statement of Operations			
Revenues			
Advisory Fees	\$98,294	\$96,999	\$1,295
Interest Income and Other	4,244	2,146	2,098
Expenses			
Occupancy and Related	6,573	6,530	43
Travel and Related	5,987	4,170	1,817
Professional Fees	4,019	4,189	(170)
Communications and Information Services	3,260	3,126	134
Other Expenses	4,328	4,279	49
Income Before Benefit for Taxes	10,138	8,618	1,520
Benefit for Taxes	(882)	(1,265)	383
Net Income	11,020	9,883	1,137

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

	As of and Six Months Ended June 30, 2018		
	Without		
	Adoption		
	of Revenue of		
	As Reported	Standard	Change
Statement of Operations			
Revenues			
Advisory Fees	\$201,757	\$201,975	\$(218)
Interest Income and Other	8,703	4,337	4,366
Expenses			
Occupancy and Related	13,376	13,295	81
Travel and Related	11,457	7,741	3,716
Professional Fees	9,218	8,750	468
Communications and Information Services	6,740	6,538	202
Other Expenses	9,160	9,062	98
Income Before Benefit for Taxes	12,757	13,174	(417)
Benefit for Taxes	(4,992)	(4,860)	(132)
Net Income	17,749	18,034	(285)
Statement of Financial Condition			
Accounts Receivable, Net	211,808	217,688	(5,880)
Taxes Receivable	10,579	10,447	132
Deferred Revenue	3,521	2,288	1,233
Total Equity	417,876	424,857	(6,981)

The change between the balances as reported under new and previous accounting guidance is primarily related to the accounting for reimbursable expenses, which were previously reported net and are now reported on a gross basis in both revenues and expenses on the statement of operations. Additionally, under the new revenue guidance, the Company has applied a measure of progress to certain fees that are recognized over time but were previously earned in full at the time of the revenue event.

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. Based on the Company's initial evaluation, adoption on January 1, 2019 will result in the present value of the Company's lease commitments that have a term in excess of one year being recorded on the Company's Consolidated Statements of Financial Condition as a right-of-use asset with a corresponding liability. The Company's lease commitments, as discussed in Note 12. "Commitments and Contingencies—Commitments, Leases," primarily relate to office space. The lease-related assets will be amortized to expense over the life of the leases and the liability, and related interest expense, will be reduced as lease payments are made over the life of the lease. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements.

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 that adoption of this guidance will have on its consolidated financial statements.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

In November 2016, the FASB issued guidance that requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted. Adoption requires a retrospective approach. The Company adopted this guidance on January 1, 2018 with no impact on its Condensed Consolidated Statements of Cash Flows.

In January 2017, the FASB issued guidance clarifying the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions of assets or businesses. The guidance becomes effective for the Company in the first quarter of 2019 and is applied prospectively. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements.

In May 2017, the FASB issued updated guidance on modifications to share-based payment awards. The updated guidance requires entities to account for the effects of a modification to a share-based payment award unless the following are all the same immediately before and after the modification: (a) the fair value of the award, (b) the vesting conditions of the award, and (c) the classification of the award as an equity instrument or a liability instrument. The guidance is effective for annual and interim periods beginning after December 15, 2017 and early adoption is permitted. The guidance is to be applied on a prospective basis. The Company adopted this guidance on January 1, 2018 with no impact on its consolidated financial statements.

In February 2018, the FASB issued guidance, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Legislation”). The guidance is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the new guidance, but does not expect the impact to be material on its consolidated financial statements.

3. REVENUES FROM CONTRACTS WITH CUSTOMERS

The following table reconciles revenues earned from contracts with customers to Total Revenues on the Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2018:

	Three Months	Six Months
	Ended June 30, 2018	Ended June 30, 2018
Advisory Fees	\$98,294	\$201,757
Placement Fees	28,132	54,252

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Interest Income from Placement Fees	1,015	2,420
Reimbursable Expenses	2,098	4,366
Revenues from Contracts with Customers	129,539	262,795
Sublease Income and Other	1,131	1,917
Total Revenues	\$ 130,670	\$ 264,712

The services provided under contracts with customers include advisory and placement services, which are recorded as Advisory Fees and Placement Fees, respectively, on the Condensed Consolidated Statements of Operations. Additionally, the Company is typically reimbursed for certain professional fees and other expenses incurred that are necessary in order to provide services to the customer. These fees are charged to the relevant expense caption in the Condensed Consolidated Statements of Operations when incurred and recognized as revenue and recorded in accounts receivable when these amounts are invoiced to the customer. Such revenue amounts are recorded in Interest Income and Other on the Condensed Consolidated Statements of Operations.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

At contract inception, the Company assesses the services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a service (or a bundle of services) that is distinct. To identify the performance obligations, the Company considers all of the services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices.

Advisory Fees

Strategic advisory services include a broad range of financial advisory and restructuring services, which includes providing financial advice regarding acquisitions, mergers, joint ventures, minority investments, asset swaps, divestitures, takeover defenses, corporate finance, distressed sales, recapitalizations and restructurings, including raising various forms of financing, and portfolio liquidity solutions related to unfunded commitment relief and investments in secondary markets.

With respect to contracts for which Advisory Fees are recognized, the Company's primary performance obligation is to stand ready to perform a broad range of services the client may need over the course of the engagement. For such engagements, the customer obtains a benefit from the assurance that the Company is available to it, when-and-if needed or desired. Fees related to these stand-ready performance obligations are recognized over time using a time-based measure of progress.

The Company may also be engaged to provide a fairness opinion to the client or the client may request that the Company arrange interim financing. The Company determines that the delivery of either of these items represents a separate performance obligation that is satisfied at a point in time when the opinion or interim financing is delivered to the client as the customer is able to direct the use of, and obtain substantially all of the benefits from, the service at that point.

Advisory Fees are predominantly considered variable as they are susceptible to factors outside of the Company's influence and/or contain a large number and broad range of possible consideration amounts. As such, these amounts are excluded from the transaction price until the uncertainty associated with the variable consideration is subsequently resolved, which is expected to occur upon achievement of the specified event. The types of fees may vary in each engagement, but payments for Advisory Fees are generally due promptly upon completion of a specified event or, for retainer fees, periodically over the course of the engagement. The Company recognizes a receivable between the date of completion of the event and payment by the customer.

Placement Fees

The Company's fund placement services are provided within Park Hill Group and primarily serve private equity, real estate and hedge funds. Park Hill 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. The Company also provides private placement fundraising services to corporate clients and earns placement fees based on successful completion of the transaction.

With respect to placement engagements, the Company has determined that the provision of overall capital advisory services in contemplation of a potential fund placement or capital raise is satisfied over time. Fees related to this

performance obligation are recognized over time using a time-based method as the customer simultaneously receives and consumes the benefits of the capital advisory services as they are provided.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

Placement Fees are predominantly considered variable as they are susceptible to factors outside of the Company's influence and/or contain a large number and broad range of possible consideration amounts. As such, these amounts are excluded from the transaction price until the uncertainty associated with the variable consideration is subsequently resolved, which is expected to occur upon achievement of a specified event. Placement Fees are typically payable upon completion of a fund closing or may be paid in installments over three or four years with interest being charged to the outstanding balance. With respect to such fees paid over time, the Company has determined there is not a significant financing component related to such contracts. Placement fees earned for services to corporate clients are typically payable upon completion. The Company recognizes a receivable between the date of completion of the event and payment by the customer.

Determining the Timing of Satisfaction of Performance Obligations

For performance obligations that are satisfied over time, determining a measure of progress requires management to make judgments that affect the timing of revenue recognized. The Company has determined that the methods described above provide a faithful depiction of the transfer of services to the customer.

For performance obligations that are satisfied at a point in time, the Company has determined that the customer is able to direct the use of, and obtain substantially all of the benefits from, the output of the service at the time it is provided to the client. Additionally, the Company considers control to have transferred at that point because the Company has a present right to payment, the Company has transferred the output of the service and the customer has significant risks and rewards of ownership.

Remaining Performance Obligations and Revenue Recognized from Past Performance

As of June 30, 2018, the aggregate amount of the transaction price allocated to performance obligations yet to be satisfied is \$9.8 million and the Company generally expects to recognize this revenue within the next twelve months. Such amounts relate to the Company's performance obligations of providing capital advisory services and standing ready to perform.

During the six months ended June 30, 2018, the Company recognized revenue of \$12.1 million related to performance obligations that were satisfied in prior periods, mainly due to constraints on variable consideration in prior periods being resolved. Such amounts related primarily to the provision of capital advisory services.

Contract Balances

The timing of revenue recognition may differ from the timing of payment. The Company records a receivable when revenue is recognized prior to payment and the Company has an unconditional right to payment. The beginning and ending balances of Accounts Receivable, Net are included in the Condensed Consolidated Statements of Financial Condition. There were no significant impairments related to these receivables during the six months ended June 30, 2018.

The Company may receive non-refundable up-front fees in its contracts with customers, which are recorded as revenues in the period over which services are estimated to be provided. Additionally, the Company may receive

payment of certain announcement, retainer or milestone fees before the performance obligation has been fully satisfied. Such fees give rise to a contract liability and are recorded as Deferred Revenue in the Condensed Consolidated Statements of Financial Condition. The beginning and ending balances of Deferred Revenue are included in the Condensed Consolidated Statements of Financial Condition. For the six months ended June 30, 2018, \$1.3 million of revenue was recognized that was included in the beginning balance of Deferred Revenue, primarily related to the Company's performance obligation of standing ready to perform. In certain contracts, the Company receives customer deposits, which are also considered to be contract liabilities. As of June 30, 2018 and December 31, 2017, the Company recorded \$1.5 million and \$1.2 million, respectively, of customer deposits in Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated Statements of Financial Condition.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

The Company does not establish a provision for refunds or similar obligations. Additionally, the Company is the principal in the satisfaction of performance obligations.

To obtain a contract with a customer, the Company may incur costs such as advertising, marketing costs, bid and proposal costs and legal fees. The Company has determined that these costs would have been incurred regardless of whether the contract with the customer was obtained. Additionally, the Company does not expect to recover any of these costs from the customer; therefore, the costs of obtaining contracts with customers are expensed as incurred.

The compensation of employees assigned to provide services to customers are direct costs of fulfilling the contract. In addition, out-of-pocket expenses may be incurred as part of fulfilling the promised services under the contract. As these costs are related to performance obligations that are satisfied over time, the costs do not meet the criteria for capitalization.

4. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Included in Accounts Receivable are long-term receivables of \$76.2 million and \$77.7 million as of June 30, 2018 and December 31, 2017, respectively, related to placement fees that are generally paid in installments over a period of three to four years. 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. Of receivables that originated as long-term, there were \$7.7 million and \$2.5 million as of June 30, 2018 and December 31, 2017, respectively, which were outstanding more than 90 days.

There was no allowance for doubtful accounts with respect to long-term receivables as of June 30, 2018 or December 31, 2017.

5. INTANGIBLE ASSETS

Intangible Assets, Net consists of the following:

	June 30, 2018	December 31, 2017
Finite-Lived Intangible Assets		
Customer Relationships	\$26,476	\$ 26,476

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Trade Name	5,700	5,700
Total Intangible Assets	32,176	32,176
Accumulated Amortization	(21,048)	(19,881)
Intangible Assets, Net (a)	\$ 11,128	\$ 12,295

(a) Excludes fully amortized intangible assets.

Amortization expense was \$0.6 million and \$1.2 million for the three and six months ended June 30, 2018, respectively, and \$0.6 million and \$1.3 million for the three and six months ended June 30, 2017, respectively.

Amortization of intangible assets held at June 30, 2018 is expected to be \$2.3 million for each of the years ending December 31, 2018, 2019, 2020 and 2021; and \$1.4 million for the year ending December 31, 2022.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

6. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	June 30, 2018	December 31, 2017
Office Equipment	\$2,145	\$ 1,758
Leasehold Improvements	37,984	33,713
Furniture and Fixtures	13,030	11,886
Total Furniture, Equipment and Leasehold Improvements	53,159	47,357
Accumulated Depreciation	(16,427)	(13,568)
Furniture, Equipment and Leasehold Improvements, Net	\$36,732	\$ 33,789

Depreciation expense was \$1.5 million and \$2.9 million for the three and six months ended June 30, 2018, respectively, and \$1.4 million and \$2.9 million for the three and six months ended June 30, 2017, respectively.

7. FAIR VALUE MEASUREMENTS

The following tables summarize the valuation of the Company's investments by the fair value hierarchy:

June 30, 2018				
	Level I	Level II	Level III	Total
U.S. Treasury Securities	\$—	\$22,920	\$ —	\$22,920
Common Stock	2,443	—	—	2,443
Total Investments	\$2,443	\$22,920	\$ —	\$25,363

December 31, 2017				
	Level I	Level II	Level III	Total
U.S. Treasury Securities	\$—	\$37,121	\$ —	\$37,121

Investments in common stock are measured based on quoted closing exchange prices and are categorized within Level I of the fair value hierarchy. To the extent these securities are actively traded, valuation adjustments are not applied.

There were no transfers between Level I, Level II or Level III during the three and six months ended June 30, 2018 and 2017.

8. INCOME TAXES

The following table summarizes the Company's tax position:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Income (Loss) Before Benefit for Taxes	\$10,138	\$(2,083)	\$12,757	\$5
Benefit for Taxes	\$(882)	\$(1,518)	\$(4,992)	\$(2,389)
Effective Income Tax Rate	-8.7 %	72.9 %	-39.1 %	N/M

N/MNot meaningful.

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Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

The Company's effective tax rate differed from the U.S. federal statutory tax rate for the three and six months ended June 30, 2018 due 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 and to certain compensation charges that are not deductible for income tax purposes.

The change in tax rate between the six months ended June 30, 2018 and 2017 was primarily due to the decrease in U.S. corporate income tax rate related to the passage of the Tax Legislation in December 2017 as well as an increased tax benefit related to the deliveries of vested shares during the six months ended June 30, 2018 at values in excess of their amortized cost.

As of June 30, 2018, the Company continues to evaluate its provisional estimate as it relates to (a) the measurement of deferred tax assets and liabilities subject to the income tax rate change from 35% to 21%, including the state tax impact on these items; (b) potential changes in interpretations of the Tax Legislation; and (c) changes in interpretation of accounting standards for income taxes. As the Company finalizes the analysis of the impact of the Tax Legislation, additional adjustments may be recorded during the measurement period, which could be material.

As of June 30, 2018, the Company had no unrecognized tax benefits.

9. NET INCOME PER SHARE OF CLASS A COMMON STOCK

Basic and diluted net income per share of Class A common stock for the three and six months ended June 30, 2018 and 2017 is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Numerator:				
Net Income Attributable to PJT Partners Inc.	\$6,945	\$215	\$12,181	\$1,548
Less:				
Dividends on Participating Securities	73	—	83	—
Net Income Attributable to Participating Securities	39	—	73	—
Net Income Attributable to Shares of Class A				
Common Stock — Basic	6,833	215	12,025	1,548
Incremental Net Income from Dilutive Securities	378	(a)	496	(a)
Net Income Attributable to Shares of Class A				
Common Stock — Diluted	\$7,211	\$215	\$12,521	\$1,548

Denominator:

Weighted-Average Shares of Class A Common

Stock Outstanding — Basic	22,641,562	18,825,696	20,987,863	18,654,187
Weighted-Average Number of Incremental Shares from				

Unvested RSUs	1,543,458	(a)	1,701,481	(a)
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Weighted-Average Shares of Class A Common

Stock Outstanding — Diluted	24,185,020	18,825,696	22,689,344	18,654,187
Net Income Per Share of Class A Common Stock				

Basic	\$0.30	\$0.01	\$0.57	\$0.08
Diluted	\$0.30	\$0.01	\$0.55	\$0.08

(a) These securities were determined to be anti-dilutive for the three and six months ended June 30, 2017 and therefore were excluded from the calculation of net income per share of Class A common stock.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

Common units of partnership interest in PJT Partners Holdings LP (“Partnership Units”) may be exchanged for PJT Partners Inc. Class A common stock on a one-for-one basis, subject to applicable vesting and transfer restrictions. If all Partnership Units were exchanged for Class A common stock, weighted-average Class A common stock outstanding would be 38,139,933 and 36,000,051 for the three and six months ended June 30, 2018, respectively, excluding unvested restricted stock units (“RSUs”) and participating RSUs. In computing the dilutive effect, if any, which the aforementioned exchange would have on net income per share, net income 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, 2018, such exchange is reflected in diluted net income per share.

The following table summarizes the anti-dilutive securities for the three and six months ended June 30, 2018 and 2017 that have been excluded from the calculation of net income per share of Class A common stock:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Weighted-Average Unvested RSUs	(a)	3,576,351	(a)	3,368,471
Weighted-Average Participating RSUs	151,707	461,417	153,243	517,719
Weighted-Average Partnership Units	15,498,371	15,031,239	15,012,188	15,268,534

(a) These securities were determined to be dilutive.

Share Repurchase Program

On October 26, 2017, the Company’s board of directors authorized the repurchase of shares of the Company’s Class A common stock in an amount up to \$100 million. Under this repurchase program, shares of the Company’s Class A common stock may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. The repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.

During the six months ended June 30, 2018, the Company repurchased 478,794 shares of Class A common stock at an average price of \$53.70, or \$25.7 million in aggregate, pursuant to this share repurchase program. As of June 30, 2018, the available amount remaining for repurchases under this program was \$72.0 million.

10. EQUITY-BASED COMPENSATION

Overview

Further information regarding the Company's equity-based compensation awards 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, 2017.

The following table represents equity-based compensation expense and related income tax benefit for the three and six months ended June 30, 2018 and 2017, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Equity-Based Compensation Expense	\$27,092	\$27,434	\$64,154	\$60,690
Income Tax Benefit	\$2,217	\$3,640	\$5,456	\$8,310

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

Restricted Stock Units

Pursuant to the PJT Partners Inc. 2015 Omnibus Incentive Plan and in connection with the spin-off, annual compensation process and ongoing hiring process, the Company has issued RSUs, which generally vest over a service life of three to five years. Awards are generally forfeited if the employee ceases to be employed by the Company prior to vesting.

A summary of the status of the Company's unvested RSUs in PJT Partners Inc. and PJT Partners Holdings LP as of June 30, 2018 and of changes during the period January 1, 2018 through June 30, 2018 is presented below:

	Restricted Stock Units			
	PJT Partners Inc.		PJT Partners Holdings LP	
	Number of	Weighted-Average Grant Date Fair Value (in dollars)	Number of Partnership Units	Weighted-Average Grant Date Fair Value (in dollars)
Balance, December 31, 2017	6,455,734	\$ 25.00	244,000	\$ 31.76
Granted	2,021,704	47.77	—	—
Vested	(4,377,209)	22.42	—	—
Forfeited	(13,834)	39.70	—	—
Dividends Reinvested on RSUs	6,559	41.67	—	—
Balance, June 30, 2018	4,092,954	\$ 38.99	244,000	\$ 31.76

As of June 30, 2018, there was \$104.9 million of estimated unrecognized compensation expense related to unvested RSU awards. The Company assumes a forfeiture rate of 1.0% to 9.0% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 1.4 years.

Partnership Units

In connection with the spin-off, annual compensation process and ongoing hiring process, certain individuals were issued Partnership Units that, subject to certain terms and conditions, are redeemable at the option of the holder for cash or, at the Company'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 three to five years.

A summary of the status of the Company's unvested Partnership Units as of June 30, 2018 and of changes during the period January 1, 2018 through June 30, 2018 is presented below:

	Partnership Units	Weighted- Average Grant Date Fair Value (in dollars)
	Number of Partnership Units	
Balance, December 31, 2017	4,698,423	\$ 21.54
Granted	61,773	48.87
Vested	(72,523)	24.72
Balance, June 30, 2018	4,687,673	\$ 21.85

As of June 30, 2018, there was \$44.1 million of estimated unrecognized compensation expense related to unvested Partnership Units. The Company assumes a forfeiture rate of 4.0% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 0.9 years.

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Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

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. The service condition requirement with respect to such equity-based awards is 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 rata at \$48, \$55, \$63, \$71 and \$79 per share of Class A common stock. During the six months ended June 30, 2018, the \$48 and \$55 share price targets were achieved.

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, 2018 and of changes during the period January 1, 2018 through June 30, 2018 is presented below:

	Equity-Based Awards with	
	Both Service and Market	
	Conditions	
	Number of Partnership Units	Weighted- Average Grant Date Fair Value (in dollars)
Balance, December 31, 2017	6,262,957	\$ 5.72
Vested	(500,511)	5.72
Balance, June 30, 2018	5,762,446	\$ 5.72

As of June 30, 2018, there was \$9.3 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 4.0% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average

period of 1.2 years.

Units Expected to Vest

The following unvested units, after expected forfeitures, as of June 30, 2018, are expected to vest:

	Units	Weighted-Average Service Period in Years
Partnership Units	10,301,483	1.1
Restricted Stock Units	4,148,276	1.4
Total Equity-Based Awards	14,449,759	1.2

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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11. TRANSACTIONS WITH RELATED PARTIES

Exchange Agreement

The Company has 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, 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. Further, pursuant to the terms in the partnership agreement of PJT Partners Holdings LP, the Company may also require holders of Partnership Units who are not Service Providers (as defined in the partnership agreement of PJT Partners Holdings LP) to exchange such Partnership Units.

Further information regarding the exchange agreement is described in Note 12. "Transactions with Related Parties—Exchange Agreement" 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, 2017.

Certain Partnership Unitholders exchanged 662,146 and 888,321 Partnership Units for the six months ended June 30, 2018 and 2017, respectively, for cash in the amounts of \$30.9 million and \$32.2 million, respectively. Such amounts are recorded as a reduction of Non-Controlling Interests and Redeemable Non-Controlling Interests, respectively, in the Condensed Consolidated Statements of Financial Condition.

During the second quarter of 2018, the Company was presented with 256,083 Partnership Units to be exchanged. The Company expects to settle the exchange of these Partnership Units on August 7, 2018 for cash. The price per Partnership Unit to be paid by the Company will be equal to the volume-weighted average price of a share of the Company's Class A common stock on August 2, 2018.

Registration Rights Agreement

The Company has 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 of 1933 shares of Class A common stock delivered in exchange for Partnership Units.

Tax Receivable Agreement

The Company has entered into a tax receivable agreement with the holders of Partnership Units (other than PJT Partners Inc.) that provides for the payment by PJT Partners Inc. to exchanging holders of Partnership Units of 85% of the benefits, if any, that PJT Partners Inc. is deemed to realize as a result of the increases in tax basis related to such exchanges of Partnership Units and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. As of June 30, 2018 and December 31, 2017, the Company had amounts due of \$4.9 million and \$2.9 million, respectively, pursuant to the tax receivable agreement, which represent management's best estimate of the amounts currently expected to be owed in

connection with the tax receivable agreement. Actual payments may differ significantly from estimated payments.

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 financial statements.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

12. 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 proceeds of the revolving credit facility are available for working capital and general corporate purposes. Beginning October 30, 2017, drawings under the credit facility bear interest equal to the greater of a per annum rate of (a) 3%, or (b) the prime rate minus 1.0%. 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.

On October 30, 2017, PJT Partners Holdings LP entered into a Renewal Agreement (the “Renewal Agreement”) and related documents with First Republic Bank, amending the terms of the Company’s revolving credit facility under the Loan Agreement. The Renewal Agreement provides for an extension of the maturity of the revolving credit facility to October 1, 2019.

As of June 30, 2018 and December 31, 2017, 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 \$6.0 million and \$12.3 million for the three and six months ended June 30, 2018, respectively, and \$6.2 million and \$12.1 million for the three and six months ended June 30, 2017, respectively. Rent expense is included in Occupancy and Related in the Condensed Consolidated Statements of Operations. These amounts include variable operating escalation payments, which are paid when invoiced.

As of June 30, 2018 and December 31, 2017, the Company maintained an irrevocable standby letter of credit for certain operating leases of \$4.9 million and \$5.0 million, respectively.

Capital lease obligations recorded are payable through 2022 at a weighted-average interest rate of 2.4%. The net book value of all assets recorded under capital leases aggregated \$0.2 million and \$0.3 million as of June 30, 2018 and December 31, 2017, respectively.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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As of June 30, 2018, the aggregate minimum future payments required on non-cancelable leases are as follows:

Year Ending December 31,	Minimum Lease Payments	
	Capital	Operating
2018	\$55	\$12,014
2019	110	23,978
2020	83	22,866
2021	7	22,417
2022	1	22,304
Thereafter	—	90,925
Total Minimum Lease Payments	256	194,504
Less: Amount Representing Interest	8	
Capital Lease Obligation	\$248	
Less: Sublease Proceeds		16,206
Net Minimum Lease Payments		\$178,298

Contingencies

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 financial statements of the Company.

As previously disclosed, with respect to actual and potential additional claims related to funds fraudulently obtained by Andrew Caspersen, the Company believes that any such claims are without merit and the Company will vigorously defend any such matters.

With respect to the Company's other litigation matters, the Company is not currently able 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.

Guarantee

The Company provides a guarantee to a lending institution for certain loans held by employees for investment in funds of its former Parent, which are secured by the underlying investments in those funds. The amount guaranteed was \$9.9 million and \$9.7 million as of June 30, 2018 and December 31, 2017, respectively.

Indemnifications

The Company has entered and may continue to enter into contracts, including contracts with Blackstone relating to the spin-off, which contain a variety of indemnification obligations. The Company's maximum exposure under these arrangements is not known; however, the Company currently expects any associated risk of loss to be insignificant. In connection with these matters, the Company has incurred and may continue to incur legal expenses, which are expensed as incurred.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

Transactions and Agreements with Blackstone

Employee Matters Agreement

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 offset to Equity in the Condensed Consolidated 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 \$0.3 million and \$0.4 million as of June 30, 2018 and December 31, 2017, respectively.

Pursuant to the Employee Matters Agreement, the Company has agreed to pay Blackstone the net realized cash benefit resulting from certain compensation-related tax deductions. The amount payable to Blackstone arising from the tax deductions has been recorded in Other Expenses in the Condensed Consolidated Statements of Operations and is payable annually (for periods in which a cash benefit is realized) within nine months of the end of the relevant tax period. As of June 30, 2018 and December 31, 2017, the Company had accrued \$3.9 million and \$3.1 million, respectively, which the Company anticipates will be payable to Blackstone after the Company files its respective tax returns. The tax deduction and corresponding payable to Blackstone related to such deliveries will fluctuate primarily based on the price of Blackstone common units at the time of delivery.

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.

13. 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 \$0.3 million and \$0.6 million for the three and six months ended June 30, 2018, respectively, and \$0.1 million and \$0.4 million for the three and six months ended June 30, 2017, respectively, which are included in Compensation and Benefits in the Condensed Consolidated Statements of Operations.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

14. 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 \$52.2 million and \$96.6 million as of June 30, 2018 and December 31, 2017, respectively, which exceeded the minimum net capital requirement by \$51.5 million and \$96.4 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 \$6.2 million and \$15.9 million as of June 30, 2018 and December 31, 2017, respectively, which exceeded the minimum net capital requirement by \$6.0 million and \$15.7 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, 2018 and December 31, 2017, both of these entities were in compliance with local capital adequacy requirements.

15. 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.

The Company is organized as one operating segment in order to maximize the value of advice to clients by drawing upon the diversified expertise and broad relationships of 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.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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

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 Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Revenues				
Domestic	\$ 121,003	\$ 101,447	\$ 232,598	\$ 206,868
International	9,667	7,863	32,114	23,411
Total	\$ 130,670	\$ 109,310	\$ 264,712	\$ 230,279

	June 30, 2018	December 31, 2017
Assets		
Domestic	\$ 486,791	\$ 494,718
International	46,953	64,247
Total	\$ 533,744	\$ 558,965

The Company is not subject to any material concentrations with respect to its revenues for the three and six months ended June 30, 2018. The Company was not subject to any material concentrations with respect to its revenues for the six months ended June 30, 2017 and had one client that represented 11.4% of total revenues for the three months ended June 30, 2017. The Company is not subject to any material concentrations of credit risk with respect to its accounts receivable as of June 30, 2018 and December 31, 2017.

16. 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 19, 2018 to Class A common stockholders of record on September 5, 2018.

The Company did not identify any other subsequent events besides the exchange of Partnership Units described in Note 11. "Transactions with Related Parties—Exchange Agreement."

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 Financial Statements and the related notes included in this Quarterly Report on Form 10-Q.

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 unique portfolio of advisory services designed to help our clients achieve their strategic objectives. 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 business 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 business is one of the world's leading advisors in restructurings and recapitalizations, both in and out of court, 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 business, is a world-leading fund placement agent and provides private fund advisory and placement services for a diverse range of investment strategies. 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.

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, 2017 for a discussion of some of the factors that can affect our performance.

M&A is a cyclical business that is impacted by macroeconomic conditions. According to Thomson Reuters, worldwide M&A announced volumes during the first half of 2018 were up 61% versus the comparable prior period in 2017, the strongest first half since records began in 1980.¹ We remain in a very constructive environment for M&A by historical standards. We expect corporate boards and management teams to continue to use M&A as a tool for growth.

Despite continued low default rates and strong capital markets, global restructuring activity in the first half of 2018 remained consistent with 2017. A balanced business mix of in-court and out-of-court transactions for companies and creditors across a broad spectrum of industries including retail; healthcare; pharmaceuticals; shipping; and technology, media and telecommunications has driven continued demand for restructuring and liability management services.

As investors seek to enhance returns, diversification and portfolio yield, alternative assets continue to be in demand by institutional investors on a global basis. Within certain asset classes, we are seeing increased interest in narrow and niche strategies as well as customized solutions such as joint ventures, separate accounts and direct investment opportunities.