

PJT Partners Inc.  
Form 10-Q  
August 04, 2017

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, 2017  
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, 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 31, 2017, there were 18,523,099 shares of Class A common stock, par value \$0.01 per share, and 250 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 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. 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,” “show” or “could,” and 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, 2016, 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](http://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 its 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](http://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](http://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, 2017	December 31, 2016
<b>Assets</b>		
Cash and Cash Equivalents	\$60,880	\$ 152,431
Investments	34,915	—
Accounts Receivable (net of allowance for doubtful accounts of \$2,002 and \$4,374 at June 30, 2017 and December 31, 2016, respectively)	220,598	227,560
Intangible Assets, Net	13,463	14,713
Goodwill	72,286	72,286
Furniture, Equipment and Leasehold Improvements, Net	36,087	38,155
Other Assets	26,289	14,374
Deferred Tax Asset, Net	75,074	70,957
<b>Total Assets</b>	<b>\$539,592</b>	<b>\$ 590,476</b>
<b>Liabilities, Redeemable Non-Controlling Interests and Equity (Deficit)</b>		
Accrued Compensation and Benefits	\$73,976	\$ 140,076
Accounts Payable, Accrued Expenses and Other Liabilities	18,315	17,354
Deferred Rent Liability	16,444	16,353
Amount Due Pursuant to Tax Receivable Agreement	3,318	964
Taxes Payable	1,233	1,527
Deferred Revenue	436	786
<b>Total Liabilities</b>	<b>113,722</b>	<b>177,060</b>
<b>Commitments and Contingencies</b>		
Redeemable Non-Controlling Interests	575,591	421,976
<b>Equity (Deficit)</b>		
Class A Common Stock, par value \$0.01 per share (3,000,000,000 shares authorized; 18,522,845 issued and outstanding at June 30, 2017; 18,003,272 issued and outstanding at December 31, 2016)	185	180
Class B Common Stock, par value \$0.01 per share (1,000,000 shares authorized; 250 issued and outstanding at June 30, 2017; 271 issued and outstanding at December 31, 2016)	—	—
Additional Paid-In Capital	—	9,145
Accumulated Deficit	(149,992)	(17,946 )

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Accumulated Other Comprehensive Income	86	61
Total Equity (Deficit)	(149,721)	(8,560 )
Total Liabilities, Redeemable Non-Controlling Interests		
and Equity (Deficit)	\$539,592	\$ 590,476

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,	2016	2017	2016
	2017		2017	2016
<b>Revenues</b>				
Advisory Fees	\$73,349	\$59,078	\$172,688	\$140,632
Placement Fees	33,503	28,652	53,005	60,603
Interest Income and Other	2,458	1,554	4,586	3,353
<b>Total Revenues</b>	<b>109,310</b>	<b>89,284</b>	<b>230,279</b>	<b>204,588</b>
<b>Expenses</b>				
Compensation and Benefits	87,564	71,964	183,240	160,135
Occupancy and Related	6,659	6,622	12,865	13,040
Travel and Related	3,073	2,802	5,956	5,547
Professional Fees	4,803	6,691	8,992	10,187
Communications and Information Services	2,854	2,647	5,267	4,700
Depreciation and Amortization	2,022	4,025	4,114	7,926
Other Expenses	4,418	4,788	9,840	10,575
<b>Total Expenses</b>	<b>111,393</b>	<b>99,539</b>	<b>230,274</b>	<b>212,110</b>
Income (Loss) Before Benefit for Taxes	(2,083 )	(10,255 )	5	(7,522 )
Benefit for Taxes	(1,518 )	(5,539 )	(2,389 )	(4,237 )
<b>Net Income (Loss)</b>	<b>(565 )</b>	<b>(4,716 )</b>	<b>2,394</b>	<b>(3,285 )</b>
<b>Net Income (Loss) Attributable to Redeemable</b>				
Non-Controlling Interests	(780 )	(4,393 )	846	(3,217 )
<b>Net Income (Loss) Attributable to PJT Partners Inc.</b>	<b>\$215</b>	<b>\$(323)</b>	<b>\$1,548</b>	<b>\$(68)</b>
<b>Net Income (Loss) Per Share of Class A Common</b>				
Stock — Basic and Diluted	\$0.01	\$(0.02)	\$0.08	\$(0.00)
<b>Weighted-Average Shares of Class A Common Stock</b>				
Outstanding — Basic and Diluted	18,825,696	18,264,742	18,654,187	18,263,365
<b>Dividends Declared Per Share of Class A</b>				
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		Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Net Income (Loss)	\$ (565)	\$ (4,716)	\$ 2,394	\$ (3,285)
Other Comprehensive Income, Net of Tax —				
Currency Translation Adjustment	60	436	62	572
Comprehensive Income (Loss)	(505)	(4,280)	2,456	(2,713)
Less:				
Comprehensive Income (Loss) Attributable to				
Redeemable Non-Controlling Interests	(744)	(4,124)	883	(2,884)
Comprehensive Income (Loss) Attributable to				
PJT Partners Inc.	\$ 239	\$ (156 )	\$ 1,573	\$ 171

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	Accumulated	Other	Total	Non-
	Common	Common	Common	Common	Paid-In	Deficit	Comprehensive		Controlling
	Stock	Stock	Stock	Stock	Capital		Income (Loss)		Interests
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	—	—	—	—	23,937	—	—	23,937	18,225
Forfeiture Liability for Equity Awards	—	—	—	—	653	—	—	653	—
Net Share Settlement	—	—	—	—	—	—	—	—	(36 )
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
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

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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 Deliveries of Vested Shares of Class A	—	—	—	—	(3,463 )	—	—	(3,463 )	(35 )
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

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,	
	2017	2016
<b>Operating Activities</b>		
Net Income (Loss)	\$2,394	\$(3,285 )
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by		
(Used in) Operating Activities		
Equity-Based Compensation Expense	60,690	42,185
Depreciation and Amortization Expense	4,114	7,926
Bad Debt Expense	607	1,185
Deferred Taxes	(1,370 )	(1,750 )
Other	(1,229 )	(320 )
<b>Cash Flows Due to Changes in Operating Assets and Liabilities</b>		
Accounts Receivable	9,252	(16,211 )
Deferred Tax Assets	—	(228 )
Other Assets	(11,696 )	(11,853 )
Accrued Compensation and Benefits	(67,586 )	(815 )
Accounts Payable, Accrued Expenses and Other Liabilities	1,091	4,641
Deferred Rent Liability	(122 )	5,049
Taxes Payable	(295 )	(795 )
Deferred Revenue	(355 )	4,679
Net Cash Provided by (Used in) Operating Activities	(4,505 )	30,408
<b>Investing Activities</b>		
Proceeds from Repayment of Note Issued to Employee	—	538
Purchases of Investments	(34,995 )	—
Purchases of Furniture, Equipment and Leasehold Improvements	(527 )	(8,716 )
Change in Restricted Cash	—	800
Net Cash Used in Investing Activities	(35,522 )	(7,378 )
<b>Financing Activities</b>		
Dividends	(1,900 )	(1,862 )
Tax Distributions	(13,691 )	—
Employee Taxes Paid for Shares Withheld	(3,498 )	(36 )
Cash-Settled Exchanges of Partnership Units	(32,166 )	—
Principal Payments on Capital Lease Obligations	(47 )	(6 )
Net Cash Used in Financing Activities	(51,302 )	(1,904 )
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(222 )	(248 )
Net Increase (Decrease) in Cash and Cash Equivalents	(91,551 )	20,878
Cash and Cash Equivalents, Beginning of Period	152,431	82,322
Cash and Cash Equivalents, End of Period	\$60,880	\$103,200
Supplemental Disclosure of Cash Flows Information		

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Payments for Income Taxes, Net of Refunds Received	\$14,838	\$3,886
Supplemental Disclosure of Significant Non-Cash Activities		
Non-Cash Contributions from Former Parent	\$—	\$4,061

See notes to condensed consolidated financial statements.

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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”) 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 unique portfolio of advisory services designed to help its clients realize major corporate milestones and solve complex issues. 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.”

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, 2017, the non-controlling interest was 44.4%. 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 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 (Deficit)” 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, 2016.

## 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, 2016.

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, 2016.

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 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. 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 after December 15, 2016. The Company plans to adopt the standard using the modified retrospective approach as of January 1, 2018. The Company has performed an assessment of the impact that adoption of this guidance will have on its consolidated financial statements, but is awaiting the outcome of decisions from the AICPA’s industry task force on Broker-Dealers, the AICPA’s Revenue Recognition Working Group and the AICPA’s Financial Reporting Executive Committee (FinREC) in order to conclude on the revenue recognition pattern of advisory fees and the corresponding impact on the recognition of reimbursable expenses. The Company expects to provide disclosures regarding its assessment of performance obligations, contract balances, contract costs, significant judgments made and any practical expedients that have been applied. The Company will provide additional information about the expected impact of adoption as available.

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 Statements of Financial Condition as a right-of-use asset with a corresponding liability. The Company’s lease commitments, as discussed in Note 11. “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 is currently assessing the impact of the adoption of this guidance, but does not expect that adoption of this guidance on January 1, 2018 will have a material impact on its Consolidated Statements of Cash Flows.

In January 2017, the FASB issued guidance clarifying the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or businesses. This new 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 January 2017, the FASB issued guidance intended to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This new guidance becomes effective for the Company in its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and is applied prospectively, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company expects that adoption of this guidance will not have a material impact on its consolidated financial statements.

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

Included in Accounts Receivable are long-term receivables of \$77.2 million and \$73.1 million as of June 30, 2017 and December 31, 2016, 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. Long-term receivables that were more than 90 days past due as of June 30, 2017 and December 31, 2016 were \$1.3 million and \$2.7 million, respectively.

There was no allowance for doubtful accounts with respect to long-term receivables as of June 30, 2017 or December 31, 2016.

## 4. INTANGIBLE ASSETS

Intangible Assets, Net consists of the following:

	June 30, 2017	December 31, 2016
Finite-Lived Intangible Assets		
Customer Relationships	\$26,476	\$ 26,476
Trade Name	5,700	5,700
Client Mandates and Other	—	1,276
Total Intangible Assets	32,176	33,452
Accumulated Amortization	(18,713)	(18,739 )
Intangible Assets, Net (a)	\$13,463	\$ 14,713

(a) Excludes fully amortized intangible assets.

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)

Amortization expense was \$0.6 million and \$1.3 million for the three and six months ended June 30, 2017, respectively, and \$2.8 million and \$5.6 million for the three and six months ended June 30, 2016, respectively.

Amortization of intangible assets held at June 30, 2017 is expected to be \$2.4 million for the year ending December 31, 2017 and \$2.3 million for each of the years ending December 31, 2018, 2019, 2020 and 2021.

## 5. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	June 30, 2017	December 31, 2016
Office Equipment	\$1,815	\$ 1,778
Leasehold Improvements	33,404	32,889
Furniture and Fixtures	11,683	11,364
Total Furniture, Equipment and Leasehold		
Improvements	46,902	46,031
Accumulated Depreciation	(10,815)	(7,876)
Furniture, Equipment and Leasehold Improvements,		
Net	\$36,087	\$ 38,155

Depreciation expense was \$1.4 million and \$2.9 million for the three and six months ended June 30, 2017, respectively, and \$1.2 million and \$2.3 million for the three and six months ended June 30, 2016, respectively.

## 6. FAIR VALUE MEASUREMENTS

The Company generally invests in U.S. Treasury securities with remaining maturities of less than twelve months. As of June 30, 2017 and December 31, 2016, the Company held investments in U.S. Treasury securities of \$35.8 million and \$50.0 million, respectively, of which \$0.9 million and \$50.0 million were included in Cash and Cash Equivalents in the Condensed Consolidated Statements of Financial Condition. U.S. Treasury securities with remaining maturities of greater than 90 days are included in Investments in the Condensed Consolidated Statements of Financial Condition.

In making an assessment of the fair value hierarchy classification, the Company considers the amount of trading activity, observability of pricing inputs as well as whether the securities are of the most recent issuance of that security

with the same maturity (referred to as “on-the-run”, which is the most liquid version of the maturity band). As of June 30, 2017 and December 31, 2016, all U.S. Treasury securities held by the Company were classified as Level II in the fair value hierarchy. During the three and six months ended June 30, 2017, there were no transfers from Level I to Level II related to U.S. Treasury securities that were initially acquired as on-the-run and classified as Level I, but subsequently transferred to Level II as a result of becoming off-the-run. There were also no transfers between Level I, Level II or Level III during the three and six months ended June 30, 2017.

#### 7. INCOME TAXES

The Company’s effective tax rate was 72.9% for the three months ended June 30, 2017, not meaningful for the six months ended June 30, 2017, and 54.0% and 56.3% for the three and six months ended June 30, 2016, respectively. The Company’s income tax benefit was \$1.5 million and \$2.4 million for the three and six months ended June 30, 2017, respectively, and income tax benefit was \$5.5 million and \$4.2 million for the three and six months ended June 30, 2016, respectively.

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's effective tax rate differed from the U.S. federal statutory tax rate for the three and six months ended June 30, 2017 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 decrease in tax rate for the six months ended June 30, 2017 from the six months ended June 30, 2016 was primarily attributable to the relative size of the tax benefit on discrete items recognized during the six months ended June 30, 2017 as compared with the nominal tax expense recognized on pretax income during the same period. The discrete tax benefit is related to the delivery of vested shares at a value in excess of their amortized cost.

As of June 30, 2017, the Company had no unrecognized tax benefits.

#### 8. NET INCOME (LOSS) PER SHARE OF CLASS A COMMON STOCK

Basic and diluted net income (loss) per share of Class A common stock for the three and six months ended June 30, 2017 and 2016 is presented below:

	Three Months Ended		Six Months Ended	
	June 30,	2016	June 30,	2016
	2017		2017	2016
<b>Numerator:</b>				
Net Income (Loss)	\$ (565 )	\$ (4,716 )	\$ 2,394	\$ (3,285 )
Net Income (Loss) Attributable to Redeemable				
Non-Controlling Interests	(780 )	(4,393 )	846	(3,217 )
Net Income (Loss) Attributable to PJT Partners Inc.	\$ 215	\$ (323 )	\$ 1,548	\$ (68 )
<b>Denominator:</b>				
Weighted-Average Shares of Class A Common				
Stock Outstanding — Basic and Diluted	18,825,696	18,264,742	18,654,187	18,263,365
Net Income (Loss) Per Share of Class A Common				
Stock — Basic and Diluted	\$ 0.01	\$ (0.02 )	\$ 0.08	\$ (0.00 )

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 lock-up, vesting and transfer restrictions. If all Partnership Units were exchanged for Class A common stock, weighted-average Class A common



stock outstanding would be 33,856,935 and 33,922,721 for the three and six months ended June 30, 2017, 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 (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, 2017 and 2016, such exchange is not reflected in diluted net income (loss) per share as the assumed exchange is anti-dilutive.

During the three and six months ended June 30, 2017 and 2016, unvested RSUs, participating RSUs and Partnership Units were all determined to be anti-dilutive and excluded from the calculation of net income (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, 2017 and 2016:

	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Weighted-Average Unvested RSUs	3,576,351	1,754,382	3,368,471	1,646,233
Weighted-Average Participating RSUs	461,417	754,174	517,719	772,005
Weighted-Average Partnership Units	15,031,239	16,061,039	15,268,534	16,091,960

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)

**9. EQUITY-BASED COMPENSATION**

## Overview

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, 2016.

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 Class A 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.

The following table represents equity-based compensation expense and related income tax benefit for the three and six months ended June 30, 2017 and 2016, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Equity-Based Compensation Expense	\$27,434	\$21,567	\$60,690	\$42,185
Income Tax Benefit	\$3,640	\$4,328	\$8,310	\$8,463

## Restricted Stock Units

Pursuant to the PJT Equity 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, 2017 and of changes during the period January 1, 2017 through June 30, 2017 is presented below:

Restricted Stock Units	
PJT Partners Inc.	PJT Partners Holdings LP
Weighted-Average	Weighted-Average

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	Number of Units	Grant Date Fair Value (in dollars)	Number of Partnership Units	Grant Date Fair Value (in dollars)
Balance, December 31, 2016	5,776,114	\$ 21.71	443,689	\$ 25.58
Granted	1,426,158	36.71	—	—
Vested	(617,189 )	23.88	(1,977 )	31.16
Forfeited	(48,428 )	22.06	—	—
Dividends Reinvested on Participating RSUs	5,221	33.38	—	—
Balance, June 30, 2017	6,541,876	\$ 24.78	441,712	\$ 25.56

As of June 30, 2017, there was \$84.2 million of estimated unrecognized compensation expense related to unvested RSU awards. The Company assumes a forfeiture rate of 1.0% to 14.0% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 1.1 years.

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)

## Partnership Units

In connection with the spin-off on October 1, 2015, certain individuals were issued 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 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 five years.

A summary of the status of the Company's unvested Partnership Units as of June 30, 2017 and of changes during the period January 1, 2017 through June 30, 2017 is presented below:

	Partnership Units	
	Number of	Weighted-
	Partnership	Average
	Units	Grant
		Date
		Fair Value
		(in
		dollars)
Balance, December 31, 2016	5,591,357	\$ 21.23
Granted	44,894	37.01
Vested	(4,571 )	28.29
Balance, June 30, 2017	5,631,680	\$ 21.35

As of June 30, 2017, there was \$67.3 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 1.6 years.

## 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 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.

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A summary of the Company's unvested equity-based awards in PJT Partners Holdings LP with both a service and market condition as of June 30, 2017 and December 31, 2016 is presented below:

	Equity-Based Awards with	
	Both Service and Market	
	Conditions	
	Number of	Weighted-
	Partnership	Average
	Units	Grant
		Date
		Fair Value
		(in
		dollars)
Balance, December 31, 2016	6,503,464	\$ 5.72
Balance, June 30, 2017	6,503,464	\$ 5.72

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 June 30, 2017, there was \$19.2 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 1.9 years.

#### Units Expected to Vest

The following unvested units, after expected forfeitures, as of June 30, 2017, are expected to vest:

	Units	Weighted-Average Service Period in Years
Partnership Units	11,633,253	1.8
Restricted Stock Units	6,729,049	1.1
Total Equity-Based Awards	18,362,302	1.5

## 10. 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, 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. 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. 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, or would result in any breach of any debt agreement or other material contract of PJT Partners Inc. or PJT Partners Holdings LP.

Certain Partnership Unitholders exchanged 888,321 Partnership Units for cash in the amount of \$32.2 million during the six months ended June 30, 2017.

During the second quarter of 2017, the Company was presented with 180,056 Partnership Units to be exchanged. The Company expects to settle the exchange of these Partnership Units on August 9, 2017 with cash from the Company's working capital. The price per Partnership Unit will be equal to the volume-weighted average price of a share of the Company's Class A common stock on August 4, 2017.

#### 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 of 1933 shares of Class A common stock delivered in exchange for Partnership Units.

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)

#### Tax Receivable Agreement

The Company 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, 2017 and December 31, 2016, the Company had amounts due of \$3.3 million and \$1.0 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.

## 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.

On October 10, 2016, 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 a one-year extension of the maturity of the revolving credit facility to October 2, 2018.



As of June 30, 2017 and December 31, 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 \$6.2 million and \$12.1 million for the three and six months ended June 30, 2017, respectively, and \$6.3 million and \$12.5 million for the three and six months ended June 30, 2016, respectively.

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)

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, 2017 and December 31, 2016, the Company maintained an irrevocable standby letter of credit for certain operating leases of \$4.8 million and \$4.5 million, respectively.

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 \$0.3 million and \$0.4 million as of June 30, 2017 and December 31, 2016, respectively.

As of June 30, 2017, the aggregate minimum future payments required on non-cancelable leases are as follows:

Year Ending December 31,	Minimum Lease Payments	
	Capital	Operating
2017	\$53	\$11,081
2018	106	22,418
2019	106	22,435
2020	79	21,346
2021	4	21,841
Thereafter	—	112,369
<b>Total Minimum Lease Payments</b>	<b>348</b>	<b>211,490</b>
Less: Amount Representing Interest	13	
<b>Capital Lease Obligation</b>	<b>\$335</b>	
Less: Sublease Proceeds		17,206
<b>Net Minimum Lease Payments</b>		<b>\$194,284</b>

## 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, 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 Group. The Company recorded an expense of \$8.9 million during the three months ended March 31, 2016, which represented the amount that was considered to be probable and reasonably estimable, as well as a related insurance reimbursement of

\$5.6 million deemed probable of receipt. The Company made payments totaling \$8.9 million related to the charge and also received a \$5.6 million insurance reimbursement during the year ended December 31, 2016.

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

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.

PJT Partners Inc.

Notes to Condensed Consolidated Financial Statements – Continued (Unaudited)

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#### 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 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.

#### Transactions and Agreements with Blackstone

During the six months ended June 30, 2016, the Company recorded \$0.3 million related to certain professional fees payable to Blackstone. As of June 30, 2017, the Company had no amounts payable to Blackstone for such expenses and \$0.3 million as of December 31, 2016.

During the six months ended June 30, 2016, the Company recorded \$4.1 million in non-cash contributions related to the settlement of balances due to and from 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 \$25 thousand as of June 30, 2017 and December 31, 2016.

#### 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 \$0.4 million and \$0.5 million as of June 30, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, the Company had accrued \$5.8 million and \$4.1 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

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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)

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.

## 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, 2017, respectively, and \$0.1 million and \$0.4 million for the three and six months ended June 30, 2016, respectively, which are included in Compensation and Benefits in the Condensed Consolidated 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 \$51.0 million and \$65.6 million as of June 30, 2017 and December 31, 2016, respectively, which exceeded the minimum net capital requirement by \$50.7 million and \$64.1 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 \$7.5 million and \$18.1 million as of June 30, 2017 and December 31, 2016, respectively, which exceeded the minimum net capital requirement by \$7.3 million and \$17.9 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, 2017 and December 31, 2016, 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 that conducts business, incurs revenues and expenses for which discrete financial information is available that

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)

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.

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Revenues</b>				
Domestic	\$101,447	\$85,651	\$206,868	\$197,762
International	7,863	3,633	23,411	6,826
Total	\$109,310	\$89,284	\$230,279	\$204,588

	June 30, 2017	December 31, 2016
<b>Assets</b>		
Domestic	\$498,002	\$545,049
International	41,590	45,427
Total	\$539,592	\$590,476

The Company 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 with respect to its revenues for the six months ended June 30, 2017 and three and six months ended June 30, 2016 or credit risk with respect to its accounts receivable as of June 30, 2017 and December 31, 2016.

## 15. SUBSEQUENT EVENTS



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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, 2017 to Class A common stockholders of record on September 7, 2017.

The Company did not identify any other subsequent events besides the exchange payment described in Note 10. “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 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 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, 2016 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 2017 were up 2% compared with the same period in the prior year<sup>1</sup>. 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.

Restructuring activity increased towards the end of the quarter despite a continued low default rate environment. Opportunities were across a broad range of industries including retail; energy; healthcare; technology, media and telecommunications; and shipping.

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 account and direct investment opportunities. We believe that Park Hill Group is well positioned to benefit from this demand given its access to best-in-breed managers and operators.

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Source: Thomson Reuters. Aggregate mergers and acquisitions values extracted from the official Thomson Reuters Mergers & Acquisitions Review for First Half 2017, based on figures extracted from Thomson Reuters databases as of June 30, 2017.

On June 23, 2016, the United Kingdom (“U.K.”) voted to leave the European Union (“E.U.”), commonly referred to as “Brexit,” and on March 29, 2017, the U.K. began the process to withdraw from the E.U. The full impact of Brexit remains uncertain and the political climate in Europe continues to take shape. It is likely to take a significant period of time before the future terms of the E.U. 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. These revenues are 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 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.

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 (referred to as a “closing”), in accordance with terms set forth in individual agreements. For commitment based fees, revenue is recognized as commitments are accepted. 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 fund structures, placement fees are typically calculated as a percentage of a placed investor’s month-end net asset value. 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.

Interest Income and Other – Interest Income and Other represents interest typically earned on Cash and Cash Equivalents, U.S. Treasury securities and outstanding placement fees receivable; miscellaneous income; foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars; and sublease income. 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 Statements of Financial Condition.

## Expenses

Compensation and Benefits – Compensation and Benefits expense includes salaries, bonuses, benefits, employer taxes and equity-based compensation associated with the grants of equity-based awards to employees and partners. Changes in this expense are driven by fluctuations in the number of employees, business performance, 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 salaries, annual incentive bonuses (that may include components of restricted cash and/or restricted stock units), and other benefits programs. We 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:

- 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, legal and other professional services;
- Communications and Information Services – consisting primarily of costs for our technology infrastructure and telecommunications costs;
- Depreciation and Amortization – consisting of depreciation and amortization on our furniture, equipment, leasehold improvements and intangible assets; and
- Other Expenses – consisting principally of bad debt, regulatory fees, insurance, fees paid for access to external market data, advertising and transaction-related payable to Blackstone.

Income Taxes – PJT Partners Inc. 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.

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 financial statements.

PJT Partners Inc. is 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

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 common units of

partnership interest in PJT Partners Holdings LP (“Partnership Units”) have redemption rights not solely within the Company’s 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 Statements of Financial Condition and the portion of net income or loss attributable to the redeemable non-controlling interests has been presented separately in the Condensed Consolidated Statements of Operations.

### Condensed Consolidated Results of Operations

The following table sets forth our condensed consolidated results of operations for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended			Six Months Ended			
	June 30,		% Change	June 30,		% Change	
	2017	2016		2017	2016		
(Dollars in Thousands)							
<b>Revenues</b>							
Advisory Fees	\$73,349	\$59,078	24 %	\$172,688	\$140,632	23 %	
Placement Fees	33,503	28,652	17 %	53,005	60,603	-13 %	
Interest Income and Other	2,458	1,554	58 %	4,586	3,353	37 %	
<b>Total Revenues</b>	<b>109,310</b>	<b>89,284</b>	<b>22 %</b>	<b>230,279</b>	<b>204,588</b>	<b>13 %</b>	
<b>Expenses</b>							
Compensation and Benefits	87,564	71,964	22 %	183,240	160,135	14 %	
Occupancy and Related	6,659	6,622	1 %	12,865	13,040	-1 %	
Travel and Related	3,073	2,802	10 %	5,956	5,547	7 %	
Professional Fees	4,803	6,691	-28 %	8,992	10,187	-12 %	
<b>Communications and</b>							
Information Services	2,854	2,647	8 %	5,267	4,700	12 %	
<b>Depreciation and</b>							
Amortization	2,022	4,025	-50 %	4,114	7,926	-48 %	
Other Expenses	4,418	4,788	-8 %	9,840	10,575	-7 %	
<b>Total Expenses</b>	<b>111,393</b>	<b>99,539</b>	<b>12 %</b>	<b>230,274</b>	<b>212,110</b>	<b>9 %</b>	
<b>Income (Loss) Before Benefit</b>							
for Taxes	(2,083 )	(10,255 )	N/M	5	(7,522 )	N/M	
Benefit for Taxes	(1,518 )	(5,539 )	N/M	(2,389 )	(4,237 )	N/M	
<b>Net Income (Loss)</b>	<b>(565 )</b>	<b>(4,716 )</b>	<b>N/M</b>	<b>2,394</b>	<b>(3,285 )</b>	<b>N/M</b>	
<b>Net Income (Loss)</b>	<b>(780 )</b>	<b>(4,393 )</b>	<b>N/M</b>	<b>846</b>	<b>(3,217 )</b>	<b>N/M</b>	



Attributable to Redeemable

Non-Controlling Interests

Net Income (Loss)

Attributable to

PJT Partners Inc.	\$215	\$(323 )	N/M	\$1,548	\$(68 )	N/M
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N/M Not meaningful.

## Revenues

The following table provides revenue statistics for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
<b>Advisory Fees</b>				
Number of Fee-Paying Clients	52	66	89	94
Number of Fee-Paying Clients with \$1 Million or More	18	13	41	37
Number of Fee-Paying Clients Representing				
Greater than 10% of Advisory Fees	2	1	—	—
Percentage of Such Clients' Fees of Total				
Advisory Fees	30.7%	12.7%	N/A	N/A
<b>Placement Fees</b>				
Number of Fee-Paying Clients	46	46	55	56
Number of Fee-Paying Clients with \$1 Million or More	11	9	20	16
Number of Fee-Paying Clients Representing				
Greater than 10% of Placement Fees	3	2	—	1
Percentage of Such Clients' Fees of Total				
Placement Fees	36.1%	33.0%	N/A	12.5%

Total Revenues were \$109.3 million for the three months ended June 30, 2017, an increase of \$20.0 million compared with \$89.3 million for the three months ended June 30, 2016. Advisory Fees were \$73.3 million for the three months ended June 30, 2017, an increase of \$14.3 million compared with \$59.1 million for the three months ended June 30, 2016. The increase in Advisory Fees was driven by an increase in average fees earned during the three months ended June 30, 2017, primarily in our strategic advisory business. Placement Fees were \$33.5 million for the three months ended June 30, 2017, an increase of \$4.9 million compared with \$28.7 million for the three months ended June 30, 2016. The increase in Placement Fees was driven by an increase in average fees earned during the three months ended June 30, 2017.

Total Revenues were \$230.3 million for the six months ended June 30, 2017, an increase of \$25.7 million compared with \$204.6 million for the six months ended June 30, 2016. Advisory Fees were \$172.7 million for the six months ended June 30, 2017, an increase of \$32.1 million compared with \$140.6 million for the six months ended June 30, 2016. The increase in Advisory Fees was driven by an increase in average fees earned during the six months ended

June 30, 2017 in both our strategic advisory and restructuring and special situations businesses. Placement Fees were \$53.0 million for the six months ended June 30, 2017, a decrease of \$7.6 million compared with \$60.6 million for the six months ended June 30, 2016. The decrease in Placement Fees was driven by a decrease in average fees earned during the six months ended June 30, 2017.

#### Expenses

Expenses were \$111.4 million for the three months ended June 30, 2017, an increase of \$11.9 million compared with \$99.5 million for the three months ended June 30, 2016. The increase in expenses was primarily attributable to an increase in Compensation and Benefits of \$15.6 million, and partially offset by decreases in Depreciation and Amortization and Professional Fees of \$2.0 million and \$1.9 million, respectively. The increase in Compensation and Benefits was primarily due to an increase in headcount and improved business performance. The decrease in Depreciation and Amortization was primarily due to a decrease in amortization expense related to certain intangible assets identified in connection with the spin-off that have fully amortized.

Expenses were \$230.3 million for the six months ended June 30, 2017, an increase of \$18.2 million compared with \$212.1 million for the six months ended June 30, 2016. The increase in expenses was primarily attributable to an increase in Compensation and Benefits of \$23.1 million, and partially offset by decreases in Depreciation and

Amortization and Professional Fees of \$3.8 million and \$1.2 million, respectively. The increase in Compensation and Benefits was primarily due to an increase in headcount and improved business performance. The decrease in Depreciation and Amortization was primarily due to a decrease in amortization expense related to certain intangible assets identified in connection with the spin-off that have fully amortized.

#### Benefit for Taxes

The Company's Benefit for Taxes for the three months ended June 30, 2017 was \$1.5 million, which represents an effective tax rate of 72.9% on pretax loss of \$2.1 million. The Company's Benefit for Taxes for the three months ended June 30, 2016 was \$5.5 million, which represents an effective tax rate of 54.0% on pretax loss of \$10.3 million.

The Company's Benefit for Taxes for the six months ended June 30, 2017 was \$2.4 million on pretax income of \$5 thousand. The effective tax rate is not meaningful for the six months ended June 30, 2017. The Company's Benefit for Taxes for the six months ended June 30, 2016 was \$4.2 million, which represents an effective tax rate of 56.3% on pretax loss of \$7.5 million.

The Company's effective tax rate differed from the U.S. federal statutory tax rate for the three and six months ended June 30, 2017 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 UBT and to certain compensation charges that are not deductible for income tax purposes.

The decrease in tax rate for the six months ended June 30, 2017 from the six months ended June 30, 2016 was primarily attributable to the relative size of the tax benefit on discrete items recognized during the six months ended June 30, 2017 as compared with the nominal tax expense recognized on pretax income during the same period. The discrete tax benefit is related to the delivery of vested shares at a value in excess of their amortized cost.

#### Redeemable Non-Controlling Interests

Net Income Attributable to Redeemable Non-Controlling Interests is derived from the Income (Loss) Before Benefit for Taxes and the percentage allocation of the net 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).

#### Liquidity and Capital Resources

##### General

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

Our assets are generally comprised of cash and cash equivalents, investments in U.S. Treasury securities and receivables arising from advisory and placement engagements. Our liabilities primarily include accrued compensation and benefits, accounts payable and accrued expenses and taxes payable. 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 portion of annual compensation may be 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 \$60.0 million revolving credit facility, with the ability to increase the credit facility up to \$80.0 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 Financial Statements" in "—Item 1. Financial Statements" of this filing.

On October 10, 2016, 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 a one-year extension of the maturity of the revolving credit facility to October 2, 2018.

As of June 30, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, we had cash, cash equivalents and investments in U.S. Treasury securities of \$95.8 million and \$152.4 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, 2017 and December 31, 2016, accounts receivable were \$220.6 million and \$227.6 million, respectively, net of allowance for doubtful accounts of \$2.0 million and \$4.4 million, respectively. Included in Accounts Receivable are long-term receivables of \$77.2 million and \$73.1 million as of June 30, 2017 and December 31, 2016, respectively, related to placement fees that are generally paid in installments over a period of three to four years.

#### 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. This 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 Financial Statements” in “—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

The following table sets forth information relating to our contractual obligations as of June 30, 2017:

Contractual Obligations	July 1, 2017 to December 31,				Total
	2017	2018–2019	2020–2021	Thereafter	
	(Dollars in Thousands)				
Operating Lease Obligations (a)	\$9,406	\$38,997	\$38,048	\$107,833	\$194,284
Capital Leases (including interest)	53	212	83	—	348
Purchase Obligations	1,668	2,303	66	—	4,037
Tax Benefit Liability (b)	4,096	1,744	—	—	5,840
Amount Due Pursuant to Tax Receivable					
Agreement (c)	11	393	442	2,472	3,318
Contractual Obligations	\$15,234	\$43,649	\$38,639	\$110,305	\$207,827

(a) We lease our office space under agreements that expire at various dates through 2030. Further disclosure regarding rent is provided in Note 11. “Commitments and Contingencies—Commitments, Leases” in the “Notes to Condensed Consolidated Financial Statements” in “—Item 1. Financial Statements” of this filing. The amounts presented are net of contractual sublease commitments.

(b) Pursuant to the Employee Matters Agreement, we have agreed to pay Blackstone the net realized cash benefit resulting from certain compensation-related tax deductions. Amounts are payable annually (for periods in which a cash benefit is realized) within nine months of the end of the relevant tax period. Further disclosure regarding this liability is provided in Note 11. “Commitments and Contingencies—Transactions and Agreements with Blackstone, Employee Matters Agreement” in the “Notes to Condensed Consolidated Financial Statements” in “—Item 1. Financial Statements” of this filing.



(c) As of June 30, 2017, the Company had an amount due of \$3.3 million pursuant to the tax receivable agreement, which represents management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. Actual payments may differ significantly from estimated payments. Further disclosure regarding the tax receivable agreement is provided below.

Commitments and Contingencies

We previously recorded an expense of \$8.9 million during the three months ended March 31, 2016 related to the Caspersen matter, which represented the amount that was considered to be probable and reasonably estimable, as well as a related insurance reimbursement of \$5.6 million deemed probable of receipt. We made payments totaling \$8.9 million related to the charge and also received a \$5.6 million insurance reimbursement during the year ended December 31, 2016.

With respect to actual and 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, any such claims are without merit and we will vigorously defend any such actions.

With respect to our other litigation matters, we are 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. However, the disposition of these contingencies could be material to our financial results in the period in which it occurs.

#### Indemnifications

We have entered and may continue to enter into contracts, including contracts with Blackstone relating to the spin-off, which 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.

#### Tax Receivable Agreement

We have 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. This payment obligation is an obligation of PJT Partners Inc. and not of PJT Partners Holdings LP. PJT Partners Inc. expects to benefit from the remaining 15% of cash tax savings, if any, in income tax it realizes.

In connection with the exchange of Partnership Units for cash during the six months ended June 30, 2017, we recorded an additional estimated deferred tax asset of \$2.8 million as a result of the increase in the tax basis of the Company's assets attributable to the exchanges. Pursuant to the tax receivable agreement, 85% of the tax benefits associated with this portion of the deferred tax asset are payable to such exchanging partners generally over 15 years and are recorded as Amount Due Pursuant to Tax Receivable Agreement in the Condensed Consolidated Statements of Financial Condition. The remaining tax benefit is allocable to the Company and is recorded in Additional Paid-In Capital.

Further information regarding the tax receivable agreement can be found 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, 2016.

#### Other

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

#### 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, 2016. 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, 2016. There were no significant changes in our significant accounting policies or critical accounting policies during the six months ended June 30, 2017.

#### Off-Balance Sheet Arrangements

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

#### Recent Accounting Developments

Information regarding recent accounting developments and their impact on our financial statements can be found in Note 2. “Summary of Significant Accounting Policies” in the “Notes to Condensed Consolidated Financial Statements” in “—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 our Annual Report on Form 10-K for the year ended December 31, 2016.

#### 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, 2016. Our exposures to market risk have not changed materially since December 31, 2016.

#### ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

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

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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 may 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 June 29, 2017, The Moore Charitable Foundation and Kendall JMAC, LLC filed an action in the Supreme Court of the State of New York, County of New York, against PJT Partners Inc., Park Hill Group LLC and Andrew W.W. Caspersen, arising out of the fraudulent conduct of Mr. Caspersen, in an action styled *The Moore Charitable Foundation, et al. v. PJT Partners Inc., et al.*, No. 654584/2017 (N.Y. Sup. Ct. June 29, 2017). Generally, the complaint alleges that PJT Partners Inc.'s and Park Hill Group's inadequate supervision enabled Caspersen to commit multiple frauds while using PJT Partners Inc.'s and Park Hill Group's name and business resources. The complaint alleges claims against PJT Partners Inc. and Park Hill Group for fraud under theories of apparent authority and respondeat superior, negligent supervision and retention and conversion. We believe that this action is without merit and will defend it vigorously.

On June 16, 2009, Plaintiffs Frank Foy and Suzanne Foy, purportedly as qui tam plaintiffs on behalf of the State of New Mexico, filed a case in New Mexico state court against Park Hill Group and one of its officers, as well as The Blackstone Group L.P. (together, "Park Hill Defendants"), in addition to dozens of other named and unnamed defendants, alleging violations of New Mexico's Fraud Against Taxpayers Act ("FATA") in an action styled *Foy v. Austin Capital Management, Ltd., et al.*, Case No. D-101-CV-2009-01189 (N.M. Dist. Ct.). The complaint alleged, among other things, that the New Mexico Educational Retirement Board and the New Mexico State Investment Council made investments that were influenced by kickbacks and other inducements. In the complaint, the Park Hill Defendants were grouped together with other defendants who were all alleged generically to have conspired to defraud the State of New Mexico. In May 2011, the trial court ruled that, as defendants had argued, FATA cannot constitutionally be applied retroactively. Plaintiffs appealed and, in December 2012, the intermediate appellate court affirmed the trial court's determination that FATA cannot constitutionally be applied retroactively. Plaintiffs appealed. On June 25, 2015, the New Mexico Supreme Court reversed the intermediate appellate court and held that a provision of FATA imposing treble damages could be applied retroactively. The New Mexico Supreme Court reserved judgment on whether FATA's provision imposing a civil penalty could be applied retroactively. The New Mexico Supreme Court also ordered this case to be consolidated with another case by the same plaintiffs, to which the Park Hill Defendants had not been parties. The proceedings in the trial court had been stayed pending resolution of Plaintiffs' appeal. On November 30, 2015, the New Mexico Attorney General filed a motion on behalf of the State of New Mexico seeking wholesale dismissal of these proceedings. On June 6, 2017, the court granted the motion to dismiss brought on behalf of the State of New Mexico, the effect of which will be that the action against the Park Hill Defendants will be dismissed, although it is likely that the Plaintiffs will file an appeal.

### ITEM 1A. RISK FACTORS

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, 2016.

The risks described in our Annual Report on Form 10-K for the year ended December 31, 2016 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

In connection with the issuance during the second quarter of 2017 of (a) LTIP Units in PJT Partners Holdings LP to an employee of the Company and (b) the transfer by a limited partner of PJT Partners Holdings LP partnership units, PJT Partners Inc. issued two corresponding shares of its Class B common stock, par value \$0.01 per share, to these employees and limited partners. Shares of Class B common stock have no economic rights but entitle the holder, without regard to the number of shares of Class B common stock held, to a number of votes that is equal to the aggregate number of vested and unvested Partnership Units and LTIP Units in PJT Partners Holdings LP held by such holder on all matters presented to stockholders of PJT Partners Inc. other than director elections and removals. With respect to the election and removal of directors of PJT Partners Inc., shares of Class B common stock will initially entitle holders to only one vote per share. However, the voting power of Class B common stock with respect to the election and removal of directors of PJT Partners Inc. may be increased to up to the number of votes to which a holder is then entitled on all other matters presented to stockholders. The issuance of shares of Class B common stock was not registered under the Securities Act of 1933 because such shares were not issued in a transaction involving the offer or sale of securities.

### Dividend Policy

The Company declared a dividend of \$0.05 per share of Class A common stock in the second quarter of 2017 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 our Annual Report on Form 10-K for the year ended December 31, 2016 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).
- 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.

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 4, 2017

PJT Partners Inc.

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

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