ASX ANNOUNCEMENT

Strong First Half 2019 – Well Positioned for Continued Growth

Moelis Australia is pleased to announce its first half 2019 results ("1H19").

Key financial metrics for 1H19 relative to the prior corresponding period ("pcp") first half 2018 result ("1H18"):

- Statutory Net Income up 7% ($61.4m up from $57.3m)[1]
- Statutory Net Profit after Tax down 30% ($7.5m down from $10.7m)
- Statutory Comprehensive Income down 32% ($9.8m down from $14.4m)
- Statutory Earnings Per Share ("EPS") down 34% (4.9 cents down from 7.4 cents)

- Cash and cash equivalents up 47% ($105.7m up from $71.7m)
- NTA per share up 5% ($1.43 up from $1.36)

- Underlying Revenue up 21% ($68.0m up from $56.2m)[2]
- Underlying EBITDA up 15% ($26.7m up from $23.3m)[1,3]
- Underlying NPAT up 12% ($17.0m up from $15.2m)[1]
- Underlying EPS up 12% (11.1 cents up from 9.9 cents)[1]

- Assets Under Management ("AUM") up 22% ($3.9b up from $3.2b)

Financial Year 2019 ("FY19") Guidance

We expect Underlying EBITDA for FY19 of not less than $60m from Underlying revenue of approximately $155m. This forecast assumes productivity of our Corporate Advisory business at the bottom end of our $1.1m – $1.3m revenue per executive guidance range and no material deployment of our cash reserves into strategic opportunities. This forecast is subject to there being no material adverse change in market conditions or the occurrence of other unforeseen events.

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[1] Corresponding statutory measure of Underlying Revenue

[2] Underlying Revenue, EBITDA, NPAT and EPS and other measures of underlying performance are not prepared in accordance with International Financial Reporting Standards ("IFRS") and are not audited. Detailed reconciliations between the Underlying and IFRS measures are provided in Moelis Australia's Half Year Results presentation and in note 2 and the Directors Report of its 30 June 2019 Consolidated Half Year Financial Report ("Half Year Report").

[3] The previously reported 1H18 Underlying EBITDA result of $22.2m has been adjusted by $1.1m to reflect the estimated impact of AASB 16 Leases should it have been applied in 2018.

Summary of 1H19 Group Performance

Over the past 18 months, Moelis Australia has made significant progress developing a company capable of attracting and retaining great people, growing recurring Asset Management revenues and maintaining a strong balance sheet.

In 1H19 we increased first-half Underlying EBITDA by 15% pcp while achieving an attractive 39% Underlying EBITDA margin. To achieve such a result, while expanding our team by approximately 20 new staff members, highlights our success in balancing investing for long-term growth and maintaining solid short-term financial metrics.

Moelis Australia recognises the need for prominence and the importance of its Statutory financial measures. We believe that, when read in conjunction with Underlying financial measures, readers are provided a complete understanding of the business operations and financial results. The Underlying measures differ from Statutory measures but reflect the way in which management assess the performance of the business and make decisions relating to its strategy and budgeting. The most significant adjustment in 1H19 is a consequence of the payment timing of a $6.4m performance fee relating to our management of Redcape Hotel Group. In this case the performance fee was recorded in the 2H18 Statutory result but not recognised as Underlying revenue until 1H19. This adjustment is consistent with our long stated view that performance fees should not be included in our Underlying results until payment timing is highly certain – thus more closely matching cash receipts with Underlying reported revenue.

At 30 June 2019 we had approximately $106m of cash holdings in addition to approximately $75m worth of securities in ASX listed companies. Together this represents approximately $1.19 per share. Having such a large cash balance gives us capacity to invest strategically. We are constantly evaluating ways to deploy this capital. We will remain patient and disciplined when deploying balance sheet and client capital but remain mindful that having such significant cash holdings dilutes what earnings may otherwise be.

Asset Management

The Asset Management division produced over 70% of Group Underlying revenue in 1H19. This comprised Underlying Revenue of $49.2m (up 49% from $33.0m pcp), of which $32.7m (66%) was recurring in nature and consisted of base asset management fees and recurring principal investments income. The remaining $16.5m (34%) consisted of transaction fees, performance fees and mark-to-market movement in the value of investments.[4]

We are increasingly refining our focus to managing fewer but larger, more scalable individual funds and investment strategies. Today we have approximately $1.7b in foreign High Net Worth ("HNW") AUM in both SIV and non-SIV funds. This capital combined with institutional, domestic HNW and retail funds are managed in numerous funds and strategies. Some of our core scalable funds and strategies include:

- Redcape (c.$1.1b of AUM);
- Core Real Estate (c.$1.5b of AUM across shopping centre and commercial assets); and
- Credit Strategies (c.$350m of AUM across our Secured Loan Fund, Fixed Income Fund and Construction Finance Partnership).

In 1H19 we did not establish any new funds but managed client inflows of $240m across our existing funds. This compares to inflows of $300m in 1H18 when we established three new funds. Our growing sales force and distribution channels continue to strengthen our capital raising capabilities.

The overall performance of our Asset Management business has been pleasing. However, our strategic investment in Japara Healthcare Limited (ASX:JHC) and the childcare space have, overall, been disappointing. Both the aged care and childcare sectors have experienced difficult market dynamics over the past 12+ months. However, we are working hard to maximise outcomes for our direct and managed fund investments in these sectors.

In June we contracted for sale our managed interest in the Oasis Hotel based on a value of $56 million. This hotel was the sole asset in the Oasis Hotel Fund (which was established in 2014). The fund delivered a return to investors of 18.8% per annum after all fees. A performance fee of $1.7m relating to this fund was recorded in 1H19.

[4] Does not include unrealised gain / loss on Moelis Australia's strategic investment in Japara Healthcare Limited ("Japara") which is consistent with management's Underlying treatment since making the investment in October 2017.

Redcape Hotel Group (ASX: RDC) ("Redcape")

Redcape's overall performance was pleasing given general market weakness in consumer spending and the competitive market dynamics within the hotel industry in the first six months of calendar 2019. Despite this, the defensive nature of Redcape's revenue, coupled with careful management of costs, delivered Operating EBITDA of $67.1m, only slightly below management forecasts. Moelis Australia granted a $1.5m fee waiver to Redcape to assist in delivering on forecast distributable earnings of 8.8 cents per security. This reflects Moelis Australia's commitment to alignment with our clients by appropriately balancing their interests with that of our shareholders.

The revenue trading performance of Redcape's like for like portfolio is expected to track above CPI in its FY20. In addition, Redcape recently announced a $503m debt refinancing. Its new senior debt facility is on attractive terms and is expected to deliver approximately 100 basis points in savings on interest expense from September 2019. The new facility also has an increased weighted average debt maturity and improved covenant package.

We note that Redcape expects its distributable earnings for the year ending 30 June 2020 to be greater than 9.0 cents per security with no fee waiver by Moelis Australia.

During its FY19 Redcape management made excellent progress in advancing $21.5m in value adding venue refurbishments. We are confident that those venues to benefit from refurbishment capex will achieve improved performance as a consequence – delivering securityholders an attractive return on investment. Redcape management has a strong record of delivering IRR's in excess of 20% p.a. on growth capex spend. Further valuation upside and development opportunities identified within the portfolio should result in an attractive longer-term value proposition for Redcape.

The above factors reflect the core investment thesis that the Redcape portfolio is highly cash generative and the diverse portfolio of freehold hotels and associated land has longer-term strategic development upside.

Moelis Australia has a co-investment in Redcape of approximately $60m. Not only does this investment deliver strong alignment with our investor clients but it also delivers a cash yield of approximately 8% per annum which we consider highly attractive relative to many other real estate based operating investments.

Real Estate and Credit

Our on-going strategy of growing real estate and credit AUM remains a key focus of management. We believe these sectors are well positioned in the current environment where many investors are seeking yield. We anticipate interest rates to remain low for an extended period, thus providing tail-winds for growth in investor demand for yield-based investments.

At our Annual General Meeting in early May 2019 we said *"we have confidence in many parts of the Australian residential market"* and *"it is our opinion that price falls in key Sydney, Melbourne and Brisbane markets are likely to moderate with more upside risk than further large declines."*

This statement is a good example of where we have taken a view which is counter to many in the market. This view was based on significant research and data analysis. We continue to gain in confidence that our view is correct and have been active in both residential real estate equity and credit markets thus far in 2019. One example of this was our identification of 54 newly developed apartments at Kirrawee NSW that we have secured on behalf of high net worth clients under Investment Management Agreements. These apartments were acquired for $28.5m and settled in August 2019. Demonstrating our confidence in residential real estate a number of Moelis executives have invested in these apartments on the same terms as our clients – again evidencing our co-investment philosophy and the old adage that we "eat what we cook".

We continue to review how we deploy capital into residential related opportunities given our positive thesis on this market. We have the capability to invest both via credit related strategies (i.e. mortgages and construction financing) and funds and via equity investment structures, such as Kirrawee.

Inflows into our Secured Loan Fund have been strong, and the fund now has c.$200m of AUM (up c.$80m year to date). Owing to our measured underwriting standards we only periodically open the fund for additional subscriptions pending the deployment of capital into suitable loans.

Our Fixed Income Fund is also experiencing good capital inflows and now has c.$70m of AUM (up c.$60m year to date). The fund has been particularly attractive to investors seeking an RBA cash rate + 4% return. The fund's performance has been credit enhanced by Moelis Australia assuming the first 10% of any loss. This credit enhancement is funded by a cash co-investment from Moelis Australia. We have the potential to list this fund on the ASX in the future to facilitate its growth.

We maintain our belief that the current opportunity in credit is significant. Tail-winds exist owing to the low interest rate environment coupled with contractionary lending dynamics within the Australian banking system. As such we continue to bolster our capability, most recently by hiring an additional credit focused Managing Director and associated team. This team will further diversify our product offering through their long experience in the provision of loans to small to medium-sized businesses with strong credit quality. As with all of our credit products, the focus will be on risk-adjusted returns in senior asset-secured positions.

China

Australia was the largest beneficiary of net migration from Chinese High Net Worth ("HNW") immigrants in 2018 (estimated to be 12,000 people). This compared with 10,000 into the USA, the second most popular destination.[5]

Capital flows from HNW Chinese clients into the Significant Investor Visa ("SIV") program have remained strong. Despite the redemption of some SIV funds by clients who have achieved their residency objective, we have been successful in retaining the investment funds of many SIV clients who, despite having received permanent residency from the Australian Government, have chosen to retain their investment with Moelis Australia. Overall, the net balance of SIV funds under management continued to grow in 1H19. Further, our 1H19 result includes strong capital inflows into funds from Chinese HNW clients investing outside the SIV program.

Our office in Shanghai has now been in operation for over a year and has significantly increased our ability to service our growing network of Chinese clients – both SIV and non-SIV.

Our progress in China was recognised in May 2019 by winning the AUSTCHAM Westpac Business Excellence Award for Professional and Business Services for companies conducting business between Australia and China.

Our SIV funds management platform remains an important aspect of our asset management offering. It is an attractive pool of capital to manage given the relatively long duration of investment (SIV compliance timelines are a minimum of 4 years and potentially up to 8+ years) and the commercial barriers to entry for competing asset management firms. Moelis Australia has made a material investment in people and systems since we first commenced our focus on foreign investment into Australia over 6 years ago. This focus and investment is reflected in our market leading position in SIV asset management.

Whilst SIV asset management is an important business for Moelis Australia, today it represents a significantly smaller proportion of our overall AUM than was the case at our IPO. This reflects the rapid growth of our non-SIV AUM over the past few years.

5 Global Wealth Migration Review 2019 conducted by New World Wealth

Corporate Advisory & Equities

Underlying Revenue for 1H19 in Corporate Advisory was down $3.5m on the 1H18 result. It is important to note that, by way of example, this equates to a differential of only 1-2 transactions. Equities commissions were $0.9m lower in 1H19 than 1H18 which was almost fully offset by a lower cost base reflecting strategic changes we made to the business early in 1H19.

Corporate advisory revenue is transactional in nature and thus forecasting revenue over relatively short time periods is difficult. Highlighting this fact, post 30 June 2019, Corporate Advisory revenue either invoiced or considered by management to be close to certain, is in the order of $14m (versus $15.2m for the entirety of 1H19). This strong start to the second half, together with a promising transaction pipeline, gives us confidence for the balance of FY19.

Corporate Advisory revenue has typically been seasonal with the second half of the calendar year achieving materially more revenue than the first half. Highlighting this, it is our experience that approximately two-thirds of annual Corporate Advisory revenue occurs in the second half of the calendar year with 40% being in the December quarter.

In 2019 we have welcomed three new Managing Directors and associated teams. These hires reflect an important long-term investment in growing our capability in Corporate Advisory and Equity Capital Markets. Our experience when hiring new teams is that it can take 18+ months for them to reach full productivity and it is therefore possible that this investment could, for a period, have a dilutive impact on our revenue productivity. Despite this, and subject to the usual caveats of business risk, most particularly financial market conditions, we are hopeful of achieving revenue from Corporate Advisory transactions above that of 2018 and within our long- term productivity guidance range.

Transactional highlights year to date have included advising:

- The South Australian Government on a reinsurance transaction with Berkshire Hathaway to manage a $853m CTP claims liability;
- Fineos on its $661m IPO;
- VGI Partners on its $369m IPO;
- Coast2Coast Capital on its sale of Marlin Brands (value undisclosed); and
- Spicers on its sale to Kokusai Pulp and Paper via a Scheme of Arrangement for $148m.

Summary

Moelis Australia Chief Executive Andrew Pridham said “I would like to thank our staff for their unwavering dedication to building a market leading financial services platform. Our business continues to deliver on its strategy and we are well placed to continue to grow our market presence.

Growing any business requires hard work and carefully considered investment. In the first half of 2019 we continued to balance the desire for growth with a focus on shareholder returns and management of risk. I believe that our overall financial performance was strong, particularly given our defensive bias, as demonstrated by our large cash holdings. I remain confident about the future and believe that Moelis Australia becomes a stronger and more diversified business as each day passes.”

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