MOELIS AUSTRALIA

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ASX ANNOUNCEMENT

Moelis Australia Announces 2020 Half-Year Financial Result

Moelis Australia Ltd (Moelis Australia; ASX: MOE) is pleased to present its financial results for the six months to 30 June 2020 (1H20). Key highlights include:

- **1H20 result 6.5% ahead of guidance provided at AGM in May[1]**
- **Assets under management (AUM) up $160 million to $5.0 billion**
- **Record first half Corporate Advisory & Equities revenue, up 40.2% on 1H19**
- **Underlying net profit of $12.1 million, down 28.7% on 1H19**
- **Statutory net profit of $8.9 million, up 19.4% on 1H19**
- **Balance sheet strengthened with $140 million cash plus $226 million in investment assets[2]**
- **Proactive response to COVID-19 to minimise impact on shareholders, clients and staff**

Moelis Australia today announced a 1H20 result highlighted by ongoing growth in its core business, with increased AUM, positive net client fund flows and record revenue generated by its Corporate Advisory & Equities (CA&E) business. This was achieved during a period of difficult economic and market conditions resulting from the COVID-19 global pandemic.

Underlying revenue of $67.4 million was pleasingly robust, marginally down on the 1H19 result of $68.0 million. COVID-19 had a significant impact on general business conditions during the period. Management acted with caution in limiting new fund launches as COVID-19 impacts were assessed. Furthermore, the Group's hospitality platform, which operates venues exclusively in New South Wales and Queensland, was temporarily impacted by Government trading restrictions placed on its hotels (estimated loss of approximately $7.2 million[3] of Underlying revenue in 1H20).

[1] Guidance to achieve a 1H20 Underlying EBITDA similar to 1H19, excluding the impact of any mark-to-market adjustments in either period
[2] Adjusted to reflect the total economic exposure of the Group by removing the consolidation of a Moelis Australia managed credit fund
[3] Estimated impact of reduced hotel operator fee (-$2.3 million), reduced RDC distribution (-$1.8 million) and negative RDC mark-to-market (-$3.1 million)

Underlying EBITDA was down 19.5% to $21.5 million on 1H19 due to the underlying revenue impacts already outlined, FY19 investment in platform capabilities and one-off costs of approximately $2.0 million associated with the impacts of COVID-19. These costs consisted of a write-off of previously capitalised business development expenses and some redundancies, offset by temporary staff salary reductions.

Excluding the impact of mark-to-market adjustments in either period, underlying EBITDA was up 6.5% to $24.5 million demonstrating the ongoing growth in the business.

Joint CEOs Julian Biggins and Chris Wyke said:

"We are proud of the proactive response and hard work of our team that has seen Moelis Australia deliver a solid result in a period of unprecedented market uncertainty."

"Growth in our recurring revenue base in Asset Management continued and the strong transactional activity generated in our Corporate Advisory & Equities business is illustrative of the diversity and resilience of the business we are building."

"We will continue to focus on scaling our investment strategies in asset management and look to broaden our distribution capabilities. In Corporate Advisory & Equities we will continue to leverage our strengths in real estate and restructuring and build our capabilities in the technology sector."

"Combined with the strength of our balance sheet, we believe Moelis Australia is well positioned to confidently navigate the current market uncertainty and capitalise on future growth opportunities."

Key Financial Tables

Underlying Results[1]	1H19	1H20	Growth
Revenue	$68.0m	$67.4m	(0.8)%
EBITDA	$26.7m	$21.5m	(19.5)%
Net profit after tax	$17.0m	$12.1m	(28.7)%
Earnings per share	11.1¢	8.5¢	(23.4)%

EBITDA excluding MTM	$23.0m	$24.5m	6.5%
EPS excluding MTM	9.4¢	10.3¢	9.6%

Statutory Results[1]	1H19	1H20	Growth
Revenue[2]	$61.4m	$74.2m	20.8%
EBITDA[3]	$18.3m	$24.6m	34.2%
Net profit after tax	$7.5m	$8.9m	19.4%
Earnings per share	4.9¢	6.2¢	26.5%

[1] Refer to the Director's Report and note 2 of Moelis Australia's 1H20 Half-Year Financial Report
[2] Statutory Revenue refers to total income on the consolidated statement of profit or loss and other comprehensive income
[3] Statutory EBITDA is not a recognised IFRS measure but has been presented to give a comparable measure to the Underlying Result

Performance Review of Business Activities

MA Asset Management (MAAM)

Growth in recurring revenue remains encouraging with base asset management fees up 14.6% on 1H19 to $28.3 million. AUM was up 3.3% over the half to $5.0 billion, supported by net client inflows of $150 million. Over the last 12 months AUM has increased by 30.2%.

The Asset Management division contributed approximately 79% of Moelis Australia's Underlying EBITDA before corporate overheads in 1H20. This result was derived from Underlying Revenue of $41.1 million (down 16% from $49.2m in 1H19) which was impacted by limited new fund launches and financial impacts arising from the partial closure of Redcape Hotel Group's (RDC) venues during the period.

Non-recurring revenue fell by 38.8% on 1H19 principally due to the prior period including a $6.4 million performance fee relating to the IPO of RDC.

MAAM responded to heightened market uncertainty and volatility during the half by significantly increasing client communications and active relationship management. Inflows remain encouraging, with foreign High Net Worth (HNW) investor fund inflows remaining strong both within and outside the Significant Investor Visa (SIV) program and domestic HNW investors being more active later in the half.

During the period, a dedicated resource was appointed to increase MAAM's engagement with institutional investors, and we commenced reviewing broader retail distribution opportunities. Both initiatives are aimed at further broadening distribution capabilities to support the scaling of the Group's investment strategies.

Given COVID-19, new fund initiatives were limited during the half, with the main highlights being the closing of the single asset $110 million Beach Hotel Byron Bay Fund and ongoing solid interest from investors in our various credit fund strategies.

MAAM's credit strategies continued to deliver consistent performance for clients during 1H20, with no material impairment issues across the portfolio reflective of our conservative underwriting standards.

MAAM's development construction financing partnership with a major international institution completed its first project in May, realising an IRR of 13.9%. Post balance date, the partnership completed a larger second project of approximately $130 million, returning an IRR of 16.7%. Credit represents a significant opportunity for Moelis Australia given its strong track record and expertise across the credit spectrum.

Due to COVID-19, difficult operating conditions were experienced in both hospitality and retail assets over the period. However, MAAM's investment teams have responded proactively to minimise impacts for investors.

The hospitality venues were largely closed from 23 March through to 1 June in New South Wales which impacted the financial contribution from MAAM's hospitality platform during the half. This included a reduced hotel operator fee (approximately -$2.3 million impact), minimal distributions from RDC (approximately -$1.8 million impact) and a negative market to market (-$3.1 million) relating to the Group's co-investment in RDC.

However, since trading restrictions have eased the venues have enjoyed strong trading performance as demonstrated in Redcape's FY20 result announced today, which reported a stronger comparable July 2020 venue operating performance than July 2019.

During the period MAAM divested the Grand Hotel in Rockdale ($30 million), the sole asset of a fund established in 2014, returning investors a 20% p.a. IRR and delivering a $2.4 million performance fee to MAAM in 1H20.

The retail shopping centres were also significantly impacted over the period due to many discretionary retailers being forced to close in accordance with government directives and poor trading conditions. Since the trough of the impact, witnessed in April, the number of stores open, foot traffic and portfolio centre sales have been trending back towards pre-COVID levels.

More recently, these trends have reversed in Victoria, where the second state lock-down has again placed significant restrictions on trade and people movement, impacting the two Victorian centres MAAM manages.

Whilst our immediate focus is on operating our existing assets under management we are constantly evaluating and reviewing the future potential of the retail asset class. In this regard, we remain of the view that well located shopping centres anchored by non-discretionary retailers will continue to be important community hubs in their catchment area.

Corporate Advisory & Equities (CA&E)

1H20 Underlying revenue for CA&E was $26.4 million (up 40.2% on 1H19), a record first half contribution.

Corporate Advisory fees were up 39.9% to $21.3 million, benefiting from strong Equity Capital Market (ECM) activity and a number of transactions that completed in the half which had commenced in 2H19. 1H20 Equities commissions were up 41.9% to a record $5.1m, assisted by the significant increase in market volatility and volumes during March and April.

CA&E raised $700 million of new equity for clients in 1H20, with significant activity in the real estate sector. Post 30 June activity has remained steady with a growing pipeline of opportunities driven by an increase in mandates for the Group's market-leading restructuring team.

Advisory revenue per executive for the 12 months to 30 June 2020 was $1.2 million, within our target productivity range of $1.1 to $1.3 million. Corporate Advisory revenue is typically seasonal with a greater weighting to the second half of the year. Current market uncertainty makes forecasting difficult, however the deal pipeline remains supportive of a solid CA&E performance in 2H20.

Balance sheet and capital management

During the half, Moelis Australia successfully raised a new $40 million bond (MOE Bond IV) with a September 2024 maturity. The issuance of this bond de-risked the repayment of $32 million of notes (MOE Bond I) in September 2020 and materially extends the maturity profile of Group Borrowings. Following the $32 million repayment, Group Borrowings will total $100m.

As at 30 June 2020, the Group had Total Assets of $437 million, including $140 million of cash and $226 million of investments of which $90 million are expected to convert to cash in 2H20[1]. Whilst increased levels of cash represent a near-term earnings drag, the strength and liquidity of the balance sheet positioned the Group well to face the current market conditions and to take advantage of opportunities as they arise.

Coronavirus (COVID-19) response

The COVID-19 pandemic has had a significant impact across global economies. The Group's response to this unprecedented event was to take rapid and decisive action to minimise the impact on shareholders, clients and staff.

Key actions undertaken by the Group during the period included:

- Stress testing the business, managed funds and assets to identify and respond to any areas of risk;
- Focusing attention on maximising and preserving cash;
- De-risking the MOE Bond I maturity in September 2020 with the MOE Bond IV raising in May 2020;
- Offsetting one-off expense impacts with staff taking temporary reductions in fixed compensation of up to 25% for senior executives and Board Directors;
- Seamlessly transitioning to a working from home capability with enhanced wellbeing programs and communications provided to support staff;
- The adoption of COVID-19 safe practices facilitated the gradual return to office from early June.

Reflecting the market uncertainty in 1H20 there were a small number of staff redundancies. As market

[1] Adjusted to reflect the total economic exposure of the Group by removing the consolidation of a Moelis Australia managed credit fund. Refer to page 26 and page 34 of the 1H20 Investor Presentation for details of the adjustment

conditions have improved, Moelis Australia has commenced hiring staff in selective areas of growth.

Post balance date and Outlook

The Group has commenced the second half of 2020 (2H20) positively, with solid activity levels across both Asset Management and Corporate Advisory & Equities.

MAAM experienced strong fund inflows over the six weeks since 30 June. This has been underpinned by significant inflows from foreign HNW investors coupled with increased activity from domestic investors.

Marketing efforts continue to prioritise credit strategies although new fund initiatives are being developed in real estate and private equity with a number of seed assets secured for a Real Assets Opportunity Fund and a Prime Logistics Fund.

MAAM's hospitality activities resulted in a significant headwind in 1H20. However, we are pleased that following the relaxation of trading restrictions in June the venues have been experiencing strong trading conditions.

As previously announced, the Group expects to close on the acquisition of an initial 47.5% interest in residential mortgage platform MKM Capital in 2H20. The acquisition provides Moelis Australia with a platform to access the $1.8 trillion residential mortgage market where there are significant tailwinds to support growth of both MKM Capital's loan book and the Group's ability to provide funding solutions to grow the book.

In CA&E, the Advisory transaction pipeline is robust, benefiting from an increase in restructuring activity and solid activity across the coverage sectors. As such, management continues to target its stated productivity range of $1.1 million to $1.3 million revenue per executive, although this remains subject to unpredictable market conditions and transaction completion timing.

More broadly, it is important to consider that due to the highly uncertain market environment, forecasting for the remainder of FY20 remains extremely difficult. However, Management remain very optimistic about the business and are focused on building an exceptional company for the long term.

A conference call for analysts and investors will be held at 3pm today with Chris Wyke & Julian Biggins, Joint CEO's, and Graham Lello, CFO. REGISTER HERE for dial in details.

For further information, please contact

Investors:
Michael Leonard
+61 2 8288 5702
michael.leonard@moelisaustralia.com

Media:
Bryce Corbett
+61 410 711 999
bryce@domestiqueconsulting.com.au

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