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CEO's Address to 2018 AGM

Mr Andrew Pridham
Chief Executive Officer, Moelis Australia Limited

I would like to welcome you to our Annual General Meeting where we are delighted to give a review of the performance of Moelis Australia in 2017 and make comment on the outlook for 2018.

Our Chairman, Jeffrey Browne, has already run through many of the highlights of 2017, so I will focus on trading conditions and business developments in 2018.

It is evident that the business made significant progress growing its revenue, profitability and scale in 2017. I believe that the 2017 Underlying EBITDA of $41.6 million, some 77% higher than forecast in our IPO prospectus, speaks for itself. The business achieved many things in 2017. Therefore, it is difficult to single out any particular highlight. However, I believe that all shareholders should be pleased with:

- Record Corporate Advisory & Equities revenue of $63.8 million;
- The investments in Redcape Hotel Group, Armada Funds Management and Infinite Aged Care which provide platforms for future growth and should benefit our shareholders and investors in the funds; and
- Asset Management revenue being 178% higher in 2017 than 2016 demonstrating momentum which reflects the material investment in recent years in growing our asset management platform.

Whilst the achievements of 2017 are pleasing, our focus is on the future. Financial year 2018 is well under way and we continue to see significant activity across the business. Based on performance year to date, and an earnings estimate from now until 30 June, we anticipate our Underlying EBITDA for the first half of 2018 to be in the order of $22 million on revenue of approximately $55 million. This compares to an Underlying EBITDA of $12 million in the 2017 corresponding period, an increase of 83%. We expect Underlying Earnings per Share to be 9.4 cents, a 27% increase on the first half of 2017.

Corporate Advisory & Equities ("CA&E")

Our Corporate Advisory business is a quality business and over time we have consistently delivered strong productivity (as measured by revenue per executive) which tends to average between $1.1 million and $1.3 million per annum. Achieving $1.5 million per executive in 2017 was an excellent performance.

The Equities business continues to be an enabler of Equity Capital Market ("ECM") transactions and Research products for our institutional and high net worth clients. Commissions and ECM revenues fluctuate with stock market conditions. Despite market conditions having been reasonably volatile in the first quarter, Equities revenue for the first half will be broadly in line with our expectations.

Overall, we believe that revenue for the first six months of 2018 from the Corporate Advisory & Equities business should be in line with those achieved in the first half of 2017. This is particularly encouraging given the strong performance of this part of our business in 2017.

Our current Corporate Advisory pipeline is strong, and continues to build. Provided market conditions remain conducive and transaction outcomes fall the right way, I believe we can have another good year in 2018. Drivers of CA&E revenue for the balance of 2018 include the potential IPO of Redcape in addition to a broad range of ongoing client situations across multiple sectors and products.

It is worth noting that Corporate Advisory & Equities activity is seasonal with stronger revenues traditionally recorded in the second half of the calendar year and in particular in the last quarter of the year. Over time this has translated to around 65% of full year revenue being recorded in the second half of the year with almost 40% occurring in the December quarter alone.

Transactions completed thus far in 2018 include advising Saputo on its purchase of Murray Goulburn for $1.3 billion and the $782 million recapitalisation of listed law firm Slater and Gordon.

Asset Management

Revenue from our Asset Management division continues to grow strongly and is forecast to be materially stronger than the first half of 2017. This is driven, in part, by the contributions from Armada and Redcape, neither of which had a meaningful impact on revenue in the first half of 2017 due to the timing of each respective acquisition. Overall, revenue growth in the first half of 2018 is forecast to be driven by growing contributions from base management fees and co-investment income compared with the second half of 2017.

At the start of May 2018, Moelis Australia had approximately $3.15 billion of assets under management ("AUM"). This represents an increase of approximately $250 million over the first four months of 2018. It is important to note that AUM is not a key metric we use in assessing the strength and profitability of our Asset Management business. AUM can rise or fall as a consequence of buying or selling larger assets and margins can vary significantly on different funds and sources of client capital. Rather than size of AUM, our focus is on the long term quality and growth in our overall revenue and importantly on delivering our clients with a premium experience and attractive returns.

Due to the life-cycle of our funds, and management's policy of not recognising performance fees until they are payable in cash, we are yet to recognise any material performance fees as a listed company. To date, our revenue has consisted largely of base fund management fees, transaction fees (such as fees on fund establishment) and income from co-investments. That said we anticipate payment of performance fees on multiple funds in the second half of this year. This is pleasing as it reflects strong fund performance and investor returns. We are hopeful that as our larger funds mature, such as Redcape, they will deliver great outcomes for clients and in turn generate meaningful performance fees for Moelis Australia.

As we have previously discussed, the composition of asset classes managed by Moelis Australia is:

- Real Estate (including Armada and various joint venture assets totalling circa $1.4 billion);
- Real Estate backed Operating assets (including Redcape and Infinite Care totalling circa $1.0 billion);
- Fixed Income / Credit (circa $500 million); and
- Private Equity / Venture Capital / Equities (circa $250 million).

At the time of presenting our 2017 full year results we discussed our growing focus on fixed income and credit funds. This focus is delivering positive outcomes for the business and reflects a number of important dynamics:

- We believe that risk adjusted returns in credit are likely to remain attractive relative to many other investment areas for some time;
- Our executive team has a long track record and significant expertise in structuring credit related solutions for clients;
- Significant commercial, regulatory and accounting changes in the Australian banking and finance sector have made it more difficult and/or expensive for small and mid-sized businesses to obtain finance;
- Credit products are attractive to investors seeking a regular and stable income stream from investments with less risk and market volatility than listed equities; and
- Investor returns in credit products are contractual in nature, and as such are readily measurable on a continuous basis.

These dynamics will increasingly see us active in areas such as specialised corporate and consumer lending and real estate construction facilities – areas where we can offer a point of difference and where we hold a competitive advantage in the marketplace. This competitive advantage stems from the deep expertise of our executives and our access to meaningful amounts of capital from multiple sources.

Representing an important step in originating credit related products, we are in advanced stages of being granted an Australian Credit Licence. This will allow us to originate loan products across a wide range of credit/lending verticals. Given the credit market dynamics in Australia, we see abundant opportunities to create investment loan funds for our Asset Management clients and then lend or invest that money in the form of various loan and credit products. We believe these funds will provide our clients with attractive risk-adjusted returns.

Evidencing this is the successful close of the Moelis Australia Senior Secured Credit Fund II in early 2018 which holds residential construction and corporate loans. As with many of our corporate loan facilities, the Fund was structured to include returns from both interest (capitalised and/or paid in cash) and equity (upside from options or free carry on equity returns).

We remain focused on the long term strength and growth of our business. In growing the business we have always prioritised long term revenue and profitability over short term impacts of investing in the business. We will continue with this strategy as we believe there are many exciting growth opportunities available to us. With this in mind we continue to invest in a number of important areas:

- People (investment management professionals, sales & distribution and administration);
- Corporate marketing and brand development;
- Information Technology systems; and
- Office expansion.

Demonstrating our commitment to growth, thus far in 2018 we have hired an additional 8 executives specifically focused on sales, marketing and distribution of Asset Management products.

We were very pleased to have recently been granted a Chinese business licence. We have subsequently established an office in Shanghai and hired two China based executives. Having a physical presence in China is an important strategic step which should assist the servicing of our many China based clients. Our effort in focusing on attracting clients based offshore in markets such as China, Vietnam, Malaysia and South Africa is delivering results. We have experienced strong investment inflows from non-Australian resident clients during 2018 thus far, and have a pleasing pipeline of future prospects. We believe that the inflow of foreign investment capital is an important benefit to Australia as it assists in the financing and investment into important areas of the economy at a time when capital is becoming increasingly difficult and expensive to source.

Capital Management

Our balance sheet remains strong with current net assets of approximately $215 million. This includes cash of $85 million and $30 million of tradeable securities. Our large cash holdings currently earn returns in line with bank deposit rates. However, this cash is held to facilitate growth and as it is deployed should directly grow our revenue. In addition we own stakes or options in numerous private (often pre-IPO) companies which we are confident can deliver attractive returns over time.

We continue to evaluate numerous corporate opportunities, particularly in the credit space. Further, we are regularly evaluating the establishment of new funds to offer asset management clients. As these emerge we will seek to co-invest, thereby demonstrating alignment with clients and at the same time building our asset base.

Strong monthly cash flow from fee revenue, combined with the flexibility afforded to us by our Corporate Bond Programme (currently drawn to $32.2 million), provides us with considerable scope to finance growth in the business.

Moelis Australia Group

Moelis Australia was founded in 2009 as a joint venture between Moelis & Company and its Australian based executives. Moelis Australia executives have more than $350 million invested in the company and Moelis & Company over $300 million. Together, we manage the business with the mindset of owners. We believe that financial alignment is paramount to everything we do. Moelis Australia and its executives co-invest in most of our managed funds. Moelis Australia has approximately $80 million, and its executives in excess of $30 million, invested across multiple Moelis Australia managed funds.

Consistent with this mindset of ownership, alignment and partnership we continue to manage the business with diligence. We give a commitment to our shareholders that we will make decisions based on the long term success of the business, thereby building long term shareholder value. Strategic decisions such as opening Asset Management related offices in China or investing in people, systems and our brand are not short term in nature. The nature of building a great business, a great company, involves investment, innovation, measured risk-taking and above all else, hard work. This is how Moelis Australia has grown to what it is today.

I wish to again thank our clients, shareholders and staff for their ongoing support and the confidence shown in the Board, management and what we continue to build.