

Evercore Inc.  
Form 10-Q  
May 02, 2018  
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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 March 31, 2018

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
001-32975  
(Commission File Number)

EVERCORE INC.  
(Exact name of registrant as specified in its charter)

Delaware 20-4748747  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)  
55 East 52<sup>nd</sup> Street  
38th floor  
New York, New York 10055  
(Address of principal executive offices)  
Registrant's telephone number: (212) 857-3100  
N/A

(Former name, former address and former fiscal year, if changed since last report)

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. (Check one):

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

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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 any 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

The number of shares of the registrant's Class A common stock, par value \$0.01 per share, outstanding as of April 25, 2018 was 40,724,371. The number of shares of the registrant's Class B common stock, par value \$0.01 per share, outstanding as of April 25, 2018 was 87 (excluding 13 shares of Class B common stock held by a subsidiary of the registrant).

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In this report, references to "Evercore", the "Company", "we", "us", "our" refer to Evercore Inc., a Delaware corporation, and its consolidated subsidiaries. Unless the context otherwise requires, references to (1) "Evercore Inc." refer solely to Evercore Inc., and not to any of its consolidated subsidiaries and (2) "Evercore LP" refer solely to Evercore LP, a Delaware limited partnership, and not to any of its consolidated subsidiaries.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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EVERCORE INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
 (UNAUDITED)

(dollars in thousands, except share data)

|   | March 31,<br>2018 | December<br>31, 2017 |
|---|-------------------|----------------------|
| Assets  |                   |                      |
| Current Assets  |                   |                      |
| Cash and Cash Equivalents   | \$407,729         | \$609,587            |
| Marketable Securities and Certificates of Deposit   | 96,350            | 128,559              |
| Financial Instruments Owned and Pledged as Collateral at Fair Value   | 21,837            | 19,374               |
| Securities Purchased Under Agreements to Resell   | 10,637            | 10,645               |
| Accounts Receivable (net of allowances of \$4,273 and \$2,772 at March 31, 2018 and December 31, 2017, respectively)  | 223,106           | 184,993              |
| Receivable from Employees and Related Parties   | 20,763            | 17,030               |
| Other Current Assets  | 28,545            | 30,017               |
| Total Current Assets  | 808,967           | 1,000,205            |
| Investments   | 98,142            | 98,313               |
| Deferred Tax Assets   | 219,072           | 198,894              |
| Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of \$75,250 and \$70,264 at March 31, 2018 and December 31, 2017, respectively) | 68,433            | 68,593               |
| Goodwill  | 136,925           | 134,231              |
| Intangible Assets (net of accumulated amortization of \$34,317 and \$32,018 at March 31, 2018 and December 31, 2017, respectively)  | 17,278            | 19,577               |
| Other Assets  | 68,836            | 65,073               |
| Total Assets  | \$1,417,653       | \$1,584,886          |
| Liabilities and Equity  |                   |                      |
| Current Liabilities   |                   |                      |
| Accrued Compensation and Benefits   | \$178,508         | \$340,165            |
| Accounts Payable and Accrued Expenses   | 36,984            | 34,111               |
| Securities Sold Under Agreements to Repurchase  | 32,476            | 30,027               |
| Payable to Employees and Related Parties  | 44,807            | 31,167               |
| Taxes Payable   | 4,506             | 16,494               |
| Other Current Liabilities   | 27,026            | 12,088               |
| Total Current Liabilities   | 324,307           | 464,052              |
| Notes Payable   | 168,411           | 168,347              |
| Subordinated Borrowings   | 99                | 6,799                |
| Amounts Due Pursuant to Tax Receivable Agreements   | 97,456            | 90,375               |
| Other Long-term Liabilities   | 53,047            | 58,945               |
| Total Liabilities   | 643,320           | 788,518              |
| Commitments and Contingencies (Note 16)   |                   |                      |
| Equity  |                   |                      |
| Evercore Inc. Stockholders' Equity  |                   |                      |
| Common Stock  |                   |                      |
| Class A, par value \$0.01 per share (1,000,000,000 shares authorized, 65,391,119 and 62,119,904 issued at March 31, 2018 and December 31, 2017, respectively, and 40,951,720      | 654               | 621                  |

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|   |              |              |
|---|--------------|--------------|
| and 39,102,154 outstanding at March 31, 2018 and December 31, 2017, respectively)<br>Class B, par value \$0.01 per share (1,000,000 shares authorized, 87 and 82 issued and<br>outstanding at March 31, 2018 and December 31, 2017, respectively) | —            | —            |
| Additional Paid-In-Capital  | 1,666,292    | 1,600,699    |
| Accumulated Other Comprehensive Income (Loss)   | (26,049 )    | (31,411 )    |
| Retained Earnings   | 153,605      | 79,461       |
| Treasury Stock at Cost (24,439,399 and 23,017,750 shares at March 31, 2018 and<br>December 31, 2017, respectively)  | (1,244,642 ) | (1,105,406 ) |
| Total Evercore Inc. Stockholders' Equity  | 549,860      | 543,964      |
| Noncontrolling Interest   | 224,473      | 252,404      |
| Total Equity  | 774,333      | 796,368      |
| Total Liabilities and Equity  | \$1,417,653  | \$1,584,886  |

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (UNAUDITED)

(dollars and share amounts in thousands, except per share data)

|   | For the Three<br>Months Ended<br>March 31, |           |
|---|--|-----------|
|   | 2018                                       | 2017      |
| Revenues  |  |           |
| Investment Banking: <sup>(1)</sup>                                      |  |           |
| Advisory Fees   | \$378,315                                  | \$312,284 |
| Underwriting Fees   | 30,279                                     | 9,980     |
| Commissions and Related Fees  | 43,034                                     | 49,684    |
| Asset Management and Administration Fees <sup>(1)</sup>                 | 11,755                                     | 15,282    |
| Other Revenue, Including Interest and Investments <sup>(1)</sup>        | 4,529                                      | 4,793     |
| Total Revenues  | 467,912                                    | 392,023   |
| Interest Expense  | 4,349                                      | 4,776     |
| Net Revenues  | 463,563                                    | 387,247   |
| Expenses  |  |           |
| Employee Compensation and Benefits                                      | 275,494                                    | 205,558   |
| Occupancy and Equipment Rental  | 13,404                                     | 13,075    |
| Professional Fees <sup>(1)</sup>  | 16,050                                     | 16,745    |
| Travel and Related Expenses   | 16,356                                     | 14,980    |
| Communications and Information Services                                 | 10,684                                     | 10,311    |
| Depreciation and Amortization   | 6,648                                      | 5,799     |
| Execution, Clearing and Custody Fees <sup>(1)</sup>                     | 3,190                                      | 3,859     |
| Special Charges   | 1,897                                      | —         |
| Acquisition and Transition Costs  | 21   | —         |
| Other Operating Expenses <sup>(1)</sup>                                 | 7,270                                      | 5,591     |
| Total Expenses  | 351,014                                    | 275,918   |
| Income Before Income from Equity Method Investments and Income Taxes    | 112,549                                    | 111,329   |
| Income from Equity Method Investments                                   | 2,125                                      | 1,610     |
| Income Before Income Taxes  | 114,674                                    | 112,939   |
| Provision for Income Taxes  | 4,938                                      | 18,292    |
| Net Income  | 109,736                                    | 94,647    |
| Net Income Attributable to Noncontrolling Interest                      | 14,193                                     | 13,876    |
| Net Income Attributable to Evercore Inc.                                | \$95,543                                   | \$80,771  |
| Net Income Attributable to Evercore Inc. Common Shareholders            | \$95,543                                   | \$80,771  |
| Weighted Average Shares of Class A Common Stock Outstanding             |  |           |
| Basic   | 40,426                                     | 40,480    |
| Diluted   | 45,463                                     | 45,936    |
| Net Income Per Share Attributable to Evercore Inc. Common Shareholders: |  |           |
| Basic   | \$2.36                                     | \$2.00    |
| Diluted   | \$2.10                                     | \$1.76    |
| Dividends Declared per Share of Class A Common Stock                    | \$0.40                                     | \$0.34    |
| (1)   |  |           |

Certain balances in the prior period were reclassified to conform to their current presentation. See Note 2 for further information.

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)  
 (dollars in thousands)

|  | For the Three<br>Months Ended<br>March 31, |          |
|--|--|----------|
|  | 2018                                       | 2017     |
| Net Income   | \$109,736                                  | \$94,647 |
| Other Comprehensive Income, net of tax:                              |  |          |
| Unrealized Gain (Loss) on Marketable Securities and Investments, net | (541 )                                     | (39 )    |
| Foreign Currency Translation Adjustment Gain, net                    | 4,195                                      | 261      |
| Other Comprehensive Income   | 3,654                                      | 222      |
| Comprehensive Income   | 113,390                                    | 94,869   |
| Comprehensive Income Attributable to Noncontrolling Interest         | 14,714                                     | 13,920   |
| Comprehensive Income Attributable to Evercore Inc.                   | \$98,676                                   | \$80,949 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 (UNAUDITED)

(dollars in thousands, except share data)

|  | For the Three Months Ended March 31, 2018 |                                 |                        |   |                      |                          |               |                            |                 |
|--|---|---------------------------------|------------------------|---|----------------------|--------------------------|---------------|----------------------------|-----------------|
|  | Class A Common<br>Shares                  | Additional<br>Dollar<br>Capital | Stock<br>In<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Retained<br>Earnings | Treasury Stock<br>Shares | Dollars       | Noncontrolling<br>Interest | Total<br>Equity |
| Balance at<br>December 31,<br>2017                             | 62,119,904                                | \$621                           | \$1,600,699            | \$(31,411)  | \$79,461             | (23,017,750)             | \$(1,105,406) | \$252,404                  | \$796,368       |
| Cumulative<br>Effect of<br>Accounting<br>Change <sup>(1)</sup> | —   | —                               | —                      | 2,229   | (2,229)              | —                        | —             | —                          | —               |
| Net Income   | —   | —                               | —                      | —   | 95,543               | —                        | —             | 14,193                     | 109,736         |
| Other<br>Comprehensive<br>Income                               | —   | —                               | —                      | 3,133   | —                    | —                        | —             | 521                        | 3,654           |
| Treasury Stock<br>Purchases                                    | —   | —                               | —                      | —   | —                    | (1,421,649)              | (139,236)     | —                          | (139,236)       |
| Evercore LP<br>Units Converted<br>into Class A<br>Common Stock | 860,115                                   | 9                               | 47,915                 | —   | —                    | —                        | —             | (34,336)                   | 13,588          |
| Equity-based<br>Compensation<br>Awards                         | 2,411,100                                 | 24                              | 42,905                 | —   | —                    | —                        | —             | 5,122                      | 48,051          |
| Dividends  | —   | —                               | —                      | —   | (19,170)             | —                        | —             | —                          | (19,170)        |
| Noncontrolling<br>Interest (Note<br>13)                        | —   | —                               | (25,227)               | —   | —                    | —                        | —             | (13,431)                   | (38,658)        |
| Balance at<br>March 31, 2018                                   | 65,391,119                                | \$654                           | \$1,666,292            | \$(26,049)  | \$153,605            | (24,439,399)             | \$(1,244,642) | \$224,473                  | \$774,333       |

|                                    | For the Three Months Ended March 31, 2017 |                                 |                        |   |                      |                          |             |                            |                 |
|------------------------------------|---|---------------------------------|------------------------|---|----------------------|--------------------------|-------------|----------------------------|-----------------|
|                                    | Class A Common<br>Shares                  | Additional<br>Dollar<br>Capital | Stock<br>In<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Retained<br>Earnings | Treasury Stock<br>Shares | Dollars     | Noncontrolling<br>Interest | Total<br>Equity |
| Balance at<br>December 31,<br>2016 | 58,292,567                                | \$582                           | \$1,368,122            | \$(50,096)  | \$20,343             | (19,101,711)             | \$(811,653) | \$256,033                  | \$783,331       |
| Net Income                         | —   | —                               | —                      | —   | 80,771               | —                        | —           | 13,876                     | 94,647          |

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|   |            |       |             |            |           |              |              |           |           |
|---|------------|-------|-------------|------------|-----------|--------------|--------------|-----------|-----------|
| Other Comprehensive Income                            | —          | —     | —           | 178        | —         | —            | —            | 44        | 222       |
| Treasury Stock Purchases                              | —          | —     | —           | —          | —         | (1,107,695 ) | (86,383 )    | —         | (86,383 ) |
| Evercore LP Units Converted into Class A Common Stock | 628,930    | 7     | 23,622      | —          | —         | —            | —            | (23,126 ) | 503       |
| Equity-based Compensation Awards                      | 2,457,893  | 25    | 39,678      | —          | —         | —            | —            | (21,372 ) | 18,331    |
| Dividends   | —          | —     | —           | —          | (18,409 ) | —            | —            | —         | (18,409 ) |
| Noncontrolling Interest (Note 13)                     | —          | —     | (7,054 )    | —          | —         | —            | —            | (707 )    | (7,761 )  |
| Balance at March 31, 2017                             | 61,379,390 | \$614 | \$1,424,368 | \$(49,918) | \$82,705  | (20,209,406) | \$(898,036 ) | \$224,748 | \$784,481 |

The cumulative adjustment relates to the adoption of ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" on January 1, 2018, for which the Company recorded an adjustment to Retained Earnings to reflect cumulative unrealized losses, net of tax, on available-for-sale equity securities previously recorded in Accumulated Other Comprehensive Income (Loss). See Note 3 for further information.

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)  
 (dollars in thousands)

|   | For the Three Months<br>Ended March 31, |            |
|---|---|------------|
|   | 2018                                    | 2017       |
| Cash Flows From Operating Activities  |   |            |
| Net Income  | \$109,736                               | \$94,647   |
| Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities: |   |            |
| Net (Gains) Losses on Investments, Marketable Securities and Contingent Consideration       | (210 )                                  | (1,000 )   |
| Equity Method Investments   | (384 )                                  | (582 )     |
| Equity-Based and Other Deferred Compensation  | 67,626                                  | 28,683     |
| Depreciation, Amortization and Accretion  | 6,712                                   | 5,860      |
| Bad Debt Expense  | 1,025                                   | 351        |
| Deferred Taxes  | (438 )                                  | (1,362 )   |
| Decrease (Increase) in Operating Assets:  |   |            |
| Marketable Securities   | (101 )                                  | 147        |
| Financial Instruments Owned and Pledged as Collateral at Fair Value                         | (972 )                                  | (13,175 )  |
| Securities Purchased Under Agreements to Resell   | 799                                     | 12,284     |
| Accounts Receivable   | (37,303 )                               | 30,415     |
| Receivable from Employees and Related Parties   | (3,708 )                                | (3,017 )   |
| Other Assets  | 614                                     | 5,164      |
| (Decrease) Increase in Operating Liabilities:   |   |            |
| Accrued Compensation and Benefits   | (177,635 )                              | (207,556 ) |
| Accounts Payable and Accrued Expenses   | 2,468                                   | (2,696 )   |
| Securities Sold Under Agreements to Repurchase  | 169                                     | 883        |
| Payables to Employees and Related Parties   | 13,640                                  | 9,095      |
| Taxes Payable   | (11,988 )                               | (18,673 )  |
| Other Liabilities   | (10,735 )                               | (20,674 )  |
| Net Cash Provided by (Used in) Operating Activities   | (40,685 )                               | (81,206 )  |
| Cash Flows From Investing Activities  |   |            |
| Investments Purchased   | —                                       | (1 )       |
| Distributions of Private Equity Investments   | 270                                     | 378        |
| Marketable Securities:  |   |            |
| Proceeds from Sales and Maturities  | 23,347                                  | 12,145     |
| Purchases   | (54,840 )                               | (7,583 )   |
| Maturity of Certificates of Deposit   | 63,527                                  | —          |
| Purchase of Furniture, Equipment and Leasehold Improvements                                 | (4,151 )                                | (6,417 )   |
| Net Cash Provided by (Used in) Investing Activities   | 28,153                                  | (1,478 )   |
| Cash Flows From Financing Activities  |   |            |
| Issuance of Noncontrolling Interests  | 60                                      | 60         |
| Distributions to Noncontrolling Interests   | (13,193 )                               | (8,601 )   |
| Short-Term Borrowing  | 30,000                                  | 30,000     |
| Repayment of Short-Term Borrowing   | (30,000 )                               | (30,000 )  |
| Repayment of Subordinated Borrowings  | (6,700 )                                | (6,000 )   |
| Purchase of Treasury Stock and Noncontrolling Interests                                     | (155,597 )                              | (93,454 )  |

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|   |            |            |
|---|------------|------------|
| Dividends - Class A Stockholders                                      | (16,538 )  | (16,035 )  |
| Net Cash Provided by (Used in) Financing Activities                   | (191,968 ) | (124,030 ) |
| Effect of Exchange Rate Changes on Cash                               | 3,473      | (497 )     |
| Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash | (201,027 ) | (207,211 ) |
| Cash, Cash Equivalents and Restricted Cash-Beginning of Period        | 617,385    | 575,637    |
| Cash, Cash Equivalents and Restricted Cash-End of Period              | \$416,358  | \$368,426  |

SUPPLEMENTAL CASH FLOW DISCLOSURE

|  |          |          |
|--|----------|----------|
| Payments for Interest                  | \$6,868  | \$6,809  |
| Payments for Income Taxes              | \$19,833 | \$44,580 |
| Accrued Dividends                      | \$2,631  | \$2,374  |
| Purchase of Noncontrolling Interest    | \$9,164  | \$—      |
| Settlement of Contingent Consideration | \$—      | \$10,780 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

Note 1 – Organization

Evercore Inc. and subsidiaries (the "Company") is an investment banking and investment management firm, incorporated in Delaware on July 21, 2005 and headquartered in New York, New York. The Company is a holding company which owns a controlling interest in Evercore LP, a Delaware limited partnership ("Evercore LP"). Subsequent to the Company's initial public offering ("IPO"), the Company became the sole general partner of Evercore LP. The Company operates from its offices and through its affiliates in North America, Europe, South America and Asia.

The Investment Banking segment includes the advisory business through which the Company provides advice to clients on significant mergers, acquisitions, divestitures, shareholder activism and other strategic corporate transactions, with a particular focus on advising prominent multinational corporations and substantial private equity firms on large, complex transactions. The Company also provides restructuring advice to companies in financial transition, as well as to creditors, shareholders and potential acquirers. In addition, the Company provides its clients with capital markets advice, underwrites securities offerings, raises funds for financial sponsors and provides advisory services focused on secondary transactions for private funds interests. The Investment Banking business also includes the Evercore ISI business through which the Company offers macroeconomic, policy and fundamental equity research and agency-based equity securities trading for institutional investors. On April 23, 2018, the Company announced the expansion of its advisory business to include a global real estate capital raising platform.

The Investment Management segment includes the wealth management business through which the Company provides investment advisory, wealth management and fiduciary services for high net-worth individuals and associated entities, the institutional asset management business through which the Company, directly and through affiliates, manages financial assets for sophisticated institutional investors and the private equity business which holds interests in private equity funds which are not managed by the Company. The Company completed the sale of the Institutional Trust and Independent Fiduciary business of Evercore Trust Company, N.A. ("ETC") on October 18, 2017.

Note 2 – Significant Accounting Policies

For a further discussion of the Company's accounting policies, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q. As permitted by the rules and regulations of the United States Securities and Exchange Commission, the unaudited condensed consolidated financial statements contain certain condensed financial information and exclude certain footnote disclosures normally included in audited consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying condensed consolidated financial statements are unaudited and are prepared in accordance with U.S. GAAP. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, including normal recurring accruals, necessary to fairly present the accompanying unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2017. The December 31, 2017 Unaudited Condensed Consolidated Statement of Financial Condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2018.

The accompanying unaudited condensed consolidated financial statements of the Company are comprised of the consolidation of Evercore LP and Evercore LP's wholly-owned and majority-owned direct and indirect subsidiaries, including Evercore Group L.L.C. ("EGL"), a registered broker-dealer in the U.S. The Company's policy is to

consolidate all subsidiaries in which it has a controlling financial interest, as well as any variable interest entities ("VIEs") where the Company is deemed to be the primary beneficiary, when it has the power to make the decisions that most significantly affect the economic performance of the VIE and has the obligation to absorb significant losses or the right to receive benefits that could potentially be significant to the VIE. The Company reviews factors, including the rights of the equity holders and obligations of equity holders to absorb losses or receive expected residual returns, to determine if the investment is a VIE. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly or indirectly by the Company. The consolidation analysis is generally performed qualitatively. This analysis, which requires judgment, is performed at each reporting date.

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EVERCORE INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

Evercore LP is a VIE and the Company is the primary beneficiary. Specifically, the Company has the majority economic interest in Evercore LP and has decision making authority that significantly affects the economic performance of the entity while the limited partners have no kick-out or substantive participating rights. The assets and liabilities of Evercore LP represent substantially all of the consolidated assets and liabilities of the Company with the exception of U.S. corporate taxes and related items, which are presented on the Company's (Parent Company Only) Condensed Statements of Financial Position in Note 23 to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

International Strategy & Investment (U.K.) Limited ("ISI U.K.") and Evercore Partners International LLP ("Evercore U.K.") are also VIEs and the Company is the primary beneficiary of these VIEs. Specifically for ISI U.K., the Company provides financial support through a transfer pricing agreement with this entity, which exposes the Company to losses that are potentially significant to the entity, and has decision making authority that significantly affects the economic performance of the entity. The Company has the majority economic interest in Evercore U.K. and has decision making authority that significantly affects the economic performance of this entity. The Company included in its Unaudited Condensed Consolidated Statements of Financial Condition ISI U.K. and Evercore U.K. assets of \$67,262 and liabilities of \$54,059 at March 31, 2018 and assets of \$126,078 and liabilities of \$102,487 at December 31, 2017.

All intercompany balances and transactions with the Company's subsidiaries have been eliminated upon consolidation. The Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09") on January 1, 2018 using the modified retrospective method of transition. The Company did not have a cumulative-effect adjustment as of the date of adoption. Following the adoption of ASU 2014-09, the Company's accounting policies are as follows:

ASU 2014-09 provides a five step model to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company applies this model to its Investment Banking and Asset Management revenue streams.

Investment Banking Revenue - The Company earns investment banking fees from clients for providing advisory services on strategic matters, including mergers, acquisitions, divestitures, leveraged buyouts, restructurings, activism and defense and similar corporate finance matters. The Company's Investment Banking services also include services related to securities underwriting, private placement services and commissions for agency-based equity trading services and equity research. Revenue is recognized as the Company satisfies performance obligations, upon transfer of control of promised services to customers in an amount that reflects the consideration the Company expects to receive in exchange for these services. The Company's contracts with customers may include promises to transfer multiple services to a customer. Determining whether services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. For performance obligations satisfied over time, determining a measure of progress requires the Company to make significant judgments that affect the timing of revenue recognized. For certain advisory services, the Company has concluded that performance obligations are satisfied over time. This is based on the premise that the Company transfers control of services and the client simultaneously receives benefits from these services over the course of an engagement. For performance obligations satisfied at a point in time, determining when control transfers requires the Company to make significant judgments that affect the timing of when revenue is recognized. The Company records Investment Banking Revenue on the Unaudited Condensed Consolidated Statements of Operations for the following:



Advisory Fees - In general, advisory fees are paid at the time the Company signs an engagement letter, during the course of the engagement or when an engagement is completed. In some circumstances, and as a function of the terms of an engagement letter, the Company may receive fixed retainer fees for financial advisory services concurrent with, or soon after, the execution of the engagement letter or over the course of the engagement, where the engagement letter will specify a future service period associated with those fees. The Company may also receive announcement fees upon announcement of a transaction in addition to success fees upon closing of a transaction or another defined outcome, both of which represent variable consideration. This variable consideration will be included in the transaction price, as defined, to the extent that it is probable that a significant reversal of revenue will not occur. With respect to retainer, announcement and success fees, there are no distinct performance obligations aside from advisory activities, which are generally focused on achieving a milestone

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(typically, the announcement and/or the closing of a transaction). These advisory services are provided over time throughout the contract period. The Company will recognize revenue when distinct services are performed and when it is probable that a reversal of revenue will not occur, which is generally upon the announcement or closing of a transaction. In circumstances in which retainer fees are received in advance of services, these fees are initially recorded as deferred revenue (a contract liability), which is recorded in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition, and subsequently recognized as advisory fee revenue in Advisory Fees on the Unaudited Condensed Consolidated Statements of Operations during the applicable time period within which the service is rendered. Announcement fees for advisory services are recognized upon announcement (the point at which it is determined that the reversal of revenue is not probable) and all other requirements for revenue recognition are satisfied. A portion of the announcement fee may be deferred based on the services remaining to be completed, if any. Success fees for advisory services, such as merger and acquisition advice, are recognized when it is determined that the reversal of revenue is not probable and all other requirements for revenue recognition are satisfied, which is generally at closing of the transaction.

With respect to fairness or valuation opinions, fees are fixed and there is a distinct performance obligation, since the opinion is rendered separate from any other advisory activities. Revenues related to fairness or valuation opinions are recognized at the point in time when the opinion has been rendered and delivered to the client. In the event the Company was to receive an opinion or success fee in advance of the completion conditions noted above, such fee would initially be recorded as deferred revenue (a contract liability) in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition and subsequently recognized as advisory fee revenue in Advisory Fees on the Unaudited Condensed Consolidated Statements of Operations when the conditions of completion have been satisfied.

Placement fee revenues are attributable to capital raising on both corporations and financial sponsors. The Company recognizes placement fees in accordance with the terms of the engagement letter, which are generally contingent on the achievement of a capital commitment by an investor, at the time of the client's acceptance of capital or capital commitments.

Underwriting Fees - Underwriting fees are attributable to public and private offerings of equity and debt securities and are recognized at the point in time when the offering has been deemed to be completed by the lead manager of the underwriting group. When the offering is completed, the performance obligation has been satisfied and the Company recognizes the applicable management fee, selling concession and underwriting fee. Estimated offering expenses are presented gross in the Unaudited Condensed Consolidated Statements of Operations.

Commissions and Related Fees - Commissions and Related Fees include commissions received from customers for the execution of agency-based brokerage transactions in listed and over-the-counter equities. The execution of each trade order represents a distinct performance obligation and the transaction price at the point in time of trade order execution is fixed. Trade execution is satisfied at the point in time that the customer has control of the asset and as such, fees are recorded on a trade date basis or, in the case of payments under commission sharing arrangements, when earned. The Company also earns subscription fees for the sales of research. The delivery of research under subscription arrangements represents a distinct performance obligation that is satisfied over time. The fees are fixed and are recognized over the period in which the performance obligation is satisfied. Cash received before the subscription period ends is initially recorded as deferred revenue (a contract liability) in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition, and is recognized in Commissions and Related Fees on the Unaudited Condensed Consolidated Statements of Operations ratably over the period in which the related services are rendered.

Taxes collected from customers and remitted to governmental authorities are presented on a net basis on the Consolidated Statements of Operations.

Asset Management and Administration Fees - The Company's Investment Management business generates revenues from the management of client assets and through interests in private equity funds which are not managed by the Company. The Company's contracts with customers may include promises to transfer multiple services to a customer. Determining whether services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. For performance obligations satisfied over time, determining a measure of progress requires the Company to make significant judgments that affect the timing of revenue recognized. Asset management fees for third-party clients are generally based on the value of the assets under management and any performance fees that may be negotiated with the client. The management of asset portfolios represents a distinct performance obligation that is satisfied over time. These fees are generally recognized over the period that the related services are provided and in which the performance obligation is satisfied, based upon the beginning, ending or average value of the assets for the relevant period. Fees paid in advance of services rendered are initially recorded as deferred revenue (a contract liability), which

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is recorded in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition, and are recognized in Asset Management and Administration Fees on the Unaudited Condensed Consolidated Statements of Operations ratably over the period in which the related service is rendered. Generally, to the extent performance fee arrangements have been negotiated, these fees are earned when the likelihood of clawback is mathematically improbable.

Fees generated for serving as an independent fiduciary and/or trustee are either based on a flat fee, are pre-negotiated with the client or are based on the value of assets under administration. The management of assets under administration represents a distinct performance obligation that is satisfied over time. For ongoing engagements, fees are billed quarterly either in advance or in arrears. Fees paid in advance of services rendered and satisfaction of the performance obligation are initially recorded as deferred revenue (a contract liability) in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition, and are recognized in Asset Management and Administration Fees on the Unaudited Condensed Consolidated Statements of Operations ratably over the period in which the related services are rendered and the performance obligation is satisfied.

The Company records performance fee revenue from the private equity funds when the returns on the private equity funds' investments exceed certain threshold minimums. These performance fees, or carried interest, are computed in accordance with the underlying private equity funds' partnership agreements and are based on investment performance over the life of each investment partnership. The Company records performance fees upon the earlier of the termination of the investment fund or when the likelihood of clawback is mathematically improbable.

Accounts Receivable and Contract Assets - Accounts Receivable consists primarily of investment banking fees and expense reimbursements charged to the Company's clients. The Company records Accounts Receivable, net of any allowance for doubtful accounts, when relevant revenue recognition criteria has been achieved and payment is conditioned on the passage of time. The Company maintains an allowance for doubtful accounts to provide coverage for estimated losses from its client receivables. The Company determines the adequacy of the allowance by estimating the probability of loss based on the Company's analysis of the client's creditworthiness and specifically reserves against exposure where the Company determines the receivables are impaired, which may include situations where a fee is in dispute or litigation has commenced.

The Investment Banking and Investment Management receivables collection periods generally are within 90 days of invoice, with the exception of placement fees, which are generally collected within 180 days of invoice, and fees related to private funds capital raising, which are collected in a period exceeding one year. The collection period for restructuring transactions and private equity fee receivables may exceed 90 days. Receivables that are collected in a period exceeding one year are reflected in Other Assets on the Unaudited Condensed Consolidated Statement of Financial Condition.

The Company records contract assets within Other Current Assets on the Unaudited Condensed Consolidated Statement of Financial Condition when payment is due from a client conditioned on future performance or the occurrence of other events. The Company also recognizes a contract asset for the incremental costs of obtaining a contract with a customer if the benefit of those costs is expected to be longer than one year. The Company applies a practical expedient to expense costs to obtain a contract as incurred when the amortization period is one year or less. Reclassifications - During the first quarter of 2018, certain balances on the Unaudited Condensed Consolidated Statements of Operations for the prior period were reclassified to conform to their current presentation.

Execution, Clearing and Custody Fees - Other Operating Expenses of \$3,526 and Professional Fees of \$333 were reclassified to a new expense line item "Execution, Clearing and Custody Fees" on the Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2017.

Other Revenue, Including Interest and Investments - The Company renamed "Other Revenue, Including Interest" to "Other Revenue, Including Interest and Investments" on the Unaudited Condensed Consolidated Statements of Operations and reclassified (\$10) of principal trading losses from Investment Banking Revenue and \$1,064 of net

realized and unrealized gains on private equity investments from Investment Management Revenue to "Other Revenue, Including Interest and Investments" for the three months ended March 31, 2017.

Investment Banking Revenue - Following the above reclassification, the Company disaggregated "Investment Banking Revenue" into "Advisory Fees," "Underwriting Fees" and "Commissions and Related Fees" on the Unaudited Condensed Consolidated Statements of Operations.

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Asset Management and Administration Fees - Following the above reclassification, the Company has renamed "Investment Management Revenue" to "Asset Management and Administration Fees" on the Unaudited Condensed Consolidated Statements of Operations, which includes management fees from the wealth management and institutional asset management businesses.

Note 3 – Recent Accounting Pronouncements

ASU 2014-09 – In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09. ASU 2014-09 provides amendments to ASC 605, "Revenue Recognition" and creates ASC 606, "Revenue from Contracts with Customers," which changes the requirements for revenue recognition and amends the disclosure requirements. In August 2015, the FASB issued ASU No. 2015-14, "Deferral of the Effective Date," which provides amendments that defer the effective date of ASU 2014-09 by one year. In April 2016, the FASB issued ASU No. 2016-10, "Identifying Performance Obligations and Licensing," which provides clarification to identifying performance obligations and the licensing implementation guidance in ASU 2014-09. In May 2016, the FASB issued ASU No. 2016-12, "Narrow-Scope Improvements and Practical Expedients," which provides clarification on certain issues identified in the guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition in ASU 2014-09. The amendments in these updates are effective either retrospectively to each prior reporting period presented, or as a cumulative-effect adjustment as of the date of adoption, during interim and annual periods beginning after December 15, 2017, with early adoption permitted beginning after December 15, 2016.

The Company adopted ASU 2014-09 on January 1, 2018 using the modified retrospective method of transition, which requires a cumulative-effect adjustment as of the date of adoption. The Company did not have a cumulative-effect adjustment as of the date of adoption. Following the adoption of ASU 2014-09, success related advisory fees, for which payment is generally dependent on the closing of a strategic transaction, a financing arrangement or some other defined outcome, are considered variable consideration as defined by the standard. ASU 2014-09 requires that revenue be recognized when it is probable that variable consideration will not be reversed in a future period. Accordingly, revenue recognition for such fees could be accelerated under ASU 2014-09 in rare circumstances, which will require careful analysis and judgment. Under legacy U.S. GAAP, the Company recognized such fees upon closing regardless of the probability of the outcome. The effect of the timing of revenue recognition could be material to any given reporting period. Furthermore, legacy U.S. GAAP allowed expenses related to underwriting transactions to be reflected net in related revenues. Under ASU 2014-09, those expenses are presented gross in the results of operations. See Notes 2 and 4 for further information.

ASU 2016-01 - In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). ASU 2016-01 provides amendments to ASC 825, "Financial Instruments," which change the requirements for certain aspects of recognition, measurement and presentation of financial assets and liabilities and amend the disclosure requirements. The amendments in this update are effective during interim and annual periods beginning after December 15, 2017. The amendments in this update should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption and the amendments related to equity securities without readily determinable fair values should be applied prospectively.

The Company adopted ASU 2016-01 on January 1, 2018, which resulted in a cumulative effect adjustment of cumulative unrealized losses, net of tax, on available-for-sale equity securities included in Accumulated Other Comprehensive Income (Loss) to Retained Earnings of (\$2,229). Following the adoption of ASU 2016-01, unrealized gains and losses on these securities are recorded in Other Revenue, Including Interest and Investments, on the Unaudited Condensed Consolidated Statements of Operations. The Company also holds equity securities without readily determinable fair values, which were accounted for under the cost method of accounting under legacy U.S. GAAP. Following the adoption of ASU 2016-01, the Company elected to measure each of its former cost method

investments at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. See Notes 7 and 9 for further information.

ASU 2016-02 - In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 supersedes ASC 840, "Leases," and includes requirements for the recognition of a right-of-use asset and lease liability on the balance sheet by lessees for those leases classified as operating leases under previous guidance. The amendments in this update are effective using a modified retrospective approach at the beginning of the earliest period presented, during interim and annual periods beginning after December 15, 2018, with early adoption permitted. The Company anticipates adopting ASU 2016-02 on January 1, 2019 using the modified retrospective approach. The adoption will result in the present value of the Company's lease commitments which have a term in excess of one year being reflected on the Company's Statements of Financial Condition as a long-term fixed asset with a corresponding long-term liability. The Company's lease commitments, as

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discussed in Note 16, 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 net impact on the Company's earnings is not expected to be materially different from the current expense related to leases as required under legacy U.S. GAAP, which is primarily reflected in Occupancy and Equipment Rental expense on the Unaudited Condensed Consolidated Statements of Operations.

ASU 2016-13 - In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 provides amendments to ASC 326, "Financial Instruments - Credit Losses," which amend the guidance on the impairment of financial instruments and adds an impairment model (the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Entities will recognize an allowance for its estimate of expected credit losses as of the end of each reporting period. The amendments in this update are effective during interim and annual periods beginning after December 15, 2019, with early adoption permitted after December 15, 2018. The Company currently uses the specific identification method for establishing credit provisions and write-offs of its trade accounts receivable. The Company anticipates adopting ASU 2016-13 on January 1, 2020 and does not anticipate a material difference between the current method and the CECL model.

ASU 2016-15 - In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 provides amendments to ASC 230, "Statement of Cash Flows," ("ASC 230") which provide guidance on the classification of certain cash receipts and payments in the statement of cash flows. The amendments in this update are effective retrospectively, or prospectively, if retrospective application is impracticable, during interim and annual periods beginning after December 15, 2017, with early adoption permitted. The adoption of ASU 2016-15 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2016-18 - In November 2016, the FASB issued ASU No. 2016-18, "Restricted Cash" ("ASU 2016-18"). ASU 2016-18 provides amendments to ASC 230, which require 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 and restricted cash equivalents. The amendments in this update are effective retrospectively during interim and annual periods beginning after December 15, 2017, with early adoption permitted. The adoption of ASU 2016-18 resulted in restricted cash balances being included in the Unaudited Condensed Consolidated Statements of Cash Flows and expanded disclosure on these restricted cash balances. See Note 16 for further information.

ASU 2017-01 - In January 2017, the FASB issued ASU No. 2017-01, "Clarifying the Definition of a Business" ("ASU 2017-01"). ASU 2017-01 provides amendments to ASC 805, "Business Combinations," which clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2017, with early adoption permitted. The adoption of ASU 2017-01 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2017-09 - In May 2017, the FASB issued ASU No. 2017-09, "Scope of Modification Accounting" ("ASU 2017-09"). ASU 2017-09 provides amendments to ASC 718, "Compensation - Stock Compensation," which provide guidance and clarity around which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2017, with early adoption permitted. The adoption of ASU 2017-09 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2018-02 - In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"). ASU 2018-02 provides amendments to ASC 220,



“Income Statement - Reporting Other Comprehensive Income,” which allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The amendments in this update are effective either in the period of adoption or retrospectively, to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized, during interim and annual periods beginning after December 15, 2018, with early adoption permitted. The Company is currently assessing the impact of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

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## Note 4 – Revenue

The following table presents revenue recognized by the Company for the three months ended March 31, 2018:

|                              | For the<br>Three<br>Months<br>Ended<br>March<br>31, 2018 |
|------------------------------|--|
| Investment Banking:          |  |
| Advisory Fees                | \$378,315  |
| Underwriting Fees            | 30,279   |
| Commissions and Related Fees | 43,034   |
| Total Investment Banking     | \$451,628  |

## Investment Management:

## Asset Management and Administration Fees:

|                                |          |
|--------------------------------|----------|
| Wealth Management              | \$10,969 |
| Institutional Asset Management | 786      |
| Total Investment Management    | \$11,755 |

## Contract Balances

The change in the Company's contract assets and liabilities during the period primarily reflects timing differences between the Company's performance and the client's payment. The Company's receivables and deferred revenue (contract liabilities) for the three months ended March 31, 2018 are as follows:

|                            | Receivables<br>(Current) <sup>(1)</sup> | Receivables<br>(Long-term) <sup>(2)</sup> | Deferred<br>Revenue<br>(Contract<br>Liabilities) <sup>(3)</sup> | Deferred<br>Revenue<br>(Long-term<br>Contract<br>Liabilities) <sup>(4)</sup> |
|----------------------------|---|---|---|--|
| Balance at January 1, 2018 | \$ 184,993                              | \$ 34,008                                 | \$ 3,147  | \$ 1,834   |
| Increase (Decrease)        | 38,113                                  | 7,011                                     | 2,113   | (103 )   |
| Balance at March 31, 2018  | \$ 223,106                              | \$ 41,019                                 | \$ 5,260  | \$ 1,731   |

(1) Included in Accounts Receivable on the Unaudited Condensed Consolidated Statements of Financial Condition.

(2) Included in Other Assets on the Unaudited Condensed Consolidated Statements of Financial Condition.

(3) Included in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition.

(4) Included in Other Long-term Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition.

The Company recognized revenue of \$2,842 on the Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2018, that was included in deferred revenue on the Company's Unaudited Condensed Consolidated Statements of Financial Condition as of January 1, 2018.

Generally, performance obligations under client arrangements will be settled within one year, therefore, the Company has elected to apply the practical expedient in ASC 606-10-50-14.

## Note 5 – Special Charges and Intangible Asset Amortization

## Special Charges

The Company recognized \$1,897 for the three months ended March 31, 2018, as Special Charges incurred related to separation benefits and costs for the termination of certain contracts associated with closing the Company's agency trading platform in the U.K.

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## Intangible Asset Amortization

Expense associated with the amortization of intangible assets for Investment Banking was \$2,190 and \$2,357 for the three months ended March 31, 2018 and 2017, respectively, included within Depreciation and Amortization expense on the Unaudited Condensed Consolidated Statements of Operations. Expense associated with the amortization of intangible assets for Investment Management was \$109 and \$118 for the three months ended March 31, 2018 and 2017, respectively, included within Depreciation and Amortization expense on the Unaudited Condensed Consolidated Statements of Operations.

## Note 6 – Related Parties

Other Assets on the Unaudited Condensed Consolidated Statements of Financial Condition includes the long-term portion of loans receivable from certain employees of \$18,203 and \$22,309 as of March 31, 2018 and December 31, 2017, respectively.

The Company had \$6,700 in subordinated borrowings with an executive officer of the Company as of December 31, 2017. In March 2018, the Company repaid all of these borrowings. See Note 11 for further information.

## Note 7 – Marketable Securities and Certificates of Deposit

The amortized cost and estimated fair value of the Company's Marketable Securities as of March 31, 2018 and December 31, 2017 were as follows:

|  | March 31, 2018 |                        |                         |            | December 31, 2017 |                        |                         |            |
|--|----------------|------------------------|-------------------------|------------|-------------------|------------------------|-------------------------|------------|
|  | Cost           | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Cost              | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Securities Investments - Debt Securities   | \$4,683        | \$ —                   | \$ 13                   | \$ 4,670   | \$1,806           | \$ —                   | \$ 11                   | \$ 1,795   |
| Securities Investments - Equity Securities | 5,388          | —                      | 4,149                   | 1,239      | 5,388             | —                      | 4,144                   | 1,244      |
| Debt Securities Carried by EGL             | 37,390         | 156                    | 24                      | 37,522     | 34,233            | 87                     | 26                      | 34,294     |
| Investment Funds                           | 48,993         | 3,933                  | 7                       | 52,919     | 22,027            | 5,678                  | 6                       | 27,699     |
| Total                                      | \$96,454       | \$ 4,089               | \$ 4,193                | \$ 96,350  | \$63,454          | \$ 5,765               | \$ 4,187                | \$ 65,032  |

Scheduled maturities of the Company's available-for-sale debt securities within the Securities Investments portfolio as of March 31, 2018 and December 31, 2017 were as follows:

|                                       | March 31, 2018 |            | December 31, 2017 |            |
|---------------------------------------|----------------|------------|-------------------|------------|
|                                       | Amortized Cost | Fair Value | Amortized Cost    | Fair Value |
| Due within one year                   | \$3,296        | \$ 3,295   | \$204             | \$ 204     |
| Due after one year through five years | 1,387          | 1,375      | 1,602             | 1,591      |
| Total                                 | \$4,683        | \$ 4,670   | \$ 1,806          | \$ 1,795   |

Since the Company has the ability and intent to hold available-for-sale securities until a recovery of fair value is equal to an amount approximating its amortized cost, which may be at maturity, and has not incurred credit losses on its securities, it does not consider such unrealized loss positions to be other-than-temporarily impaired at March 31, 2018.

## Securities Investments - Debt Securities

Securities Investments - Debt Securities are classified as available-for-sale securities within Marketable Securities on the Unaudited Condensed Consolidated Statements of Financial Condition. These securities are stated at fair value with unrealized gains and losses included in Accumulated Other Comprehensive Income (Loss) and realized gains and losses included in earnings. The Company had net realized losses of (\$13) for the three months ended March 31, 2018 and 2017.



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Securities Investments - Equity Securities

Securities Investments - Equity Securities are carried at fair value with changes in fair value recorded in Other Revenue, Including Interest and Investments, beginning on January 1, 2018, on the Unaudited Condensed Consolidated Statements of Operations. The Company had net realized and unrealized losses of (\$11) and (\$96) for the three months ended March 31, 2018 and 2017, respectively.

Debt Securities Carried by EGL

EGL invests in a fixed income portfolio consisting primarily of municipal bonds. These securities are carried at fair value, with changes in fair value recorded in Other Revenue, Including Interest and Investments, on the Unaudited Condensed Consolidated Statements of Operations, as required for broker-dealers in securities. The Company had net realized and unrealized gains (losses) of \$101 and (\$147) for the three months ended March 31, 2018 and 2017, respectively.

Investment Funds

The Company invests in a portfolio of exchange-traded funds and mutual funds as an economic hedge against the Company's deferred cash compensation program. See Note 15 for further information. These securities are carried at fair value, with changes in fair value recorded in Other Revenue, Including Interest and Investments, on the Unaudited Condensed Consolidated Statements of Operations. The Company had net realized and unrealized gains (losses) of (\$188) and \$1,062 for the three months ended March 31, 2018 and 2017, respectively.

Certificates of Deposit

At December 31, 2017, the Company held certificates of deposit of \$63,527 with certain banks with original maturities of six months or less when purchased. These certificates of deposit matured during the first quarter of 2018. Note 8 – Financial Instruments Owned and Pledged as Collateral at Fair Value, Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

The Company, through Evercore Casa de Bolsa, S.A. de C.V. ("ECB"), enters into repurchase agreements with clients seeking overnight money market returns whereby ECB transfers to the clients Mexican government securities in exchange for cash and concurrently agrees to repurchase the securities at a future date for an amount equal to the cash exchanged plus a stipulated premium or interest factor. ECB deploys the cash received from, and acquires the securities deliverable to, clients under these repurchase arrangements by purchasing securities in the open market, which the Company reflects as Financial Instruments Owned and Pledged as Collateral at Fair Value on the Unaudited Condensed Consolidated Statements of Financial Condition, or by entering into reverse repurchase agreements with unrelated third parties. The Company accounts for these repurchase and reverse repurchase agreements as collateralized financing transactions, which are carried at their contract amounts, which approximate fair value given that the contracts mature the following business day. The Company records a liability on its Unaudited Condensed Consolidated Statements of Financial Condition in relation to repurchase transactions executed with clients as Securities Sold Under Agreements to Repurchase. The Company records as assets on its Unaudited Condensed Consolidated Statements of Financial Condition, Financial Instruments Owned and Pledged as Collateral at Fair Value (where the Company has acquired the securities deliverable to clients under these repurchase arrangements by purchasing securities in the open market) and Securities Purchased Under Agreements to Resell (where the Company has acquired the securities deliverable to clients under these repurchase agreements by entering into reverse repurchase agreements with unrelated third parties). These Mexican government securities had an estimated average time to maturity of approximately 1.0 year, as of March 31, 2018, and are pledged as collateral against repurchase agreements. Generally, collateral is posted equal to the contract value at inception and is subject to market changes. These repurchase agreements are primarily with institutional customer accounts managed by ECB and permit the counterparty to pledge the securities.

ECB has procedures in place to monitor the daily risk limits for positions taken, as well as the credit risk based on the collateral pledged under these agreements against their contract value from inception to maturity date. The daily risk

measure is Value at Risk ("VaR"), which is a statistical measure, at a 98% confidence level, of the potential daily losses from adverse market movements in an ordinary market environment based on a historical simulation using the prior year's historical data. ECB's Risk Management Committee (the "Committee") has established a policy to maintain VaR at levels below 0.1% of the value of the portfolio. If at any point in time the threshold is exceeded, ECB personnel are alerted by an automated interface with ECB's trading systems and begin to make adjustments in the portfolio in order to mitigate the risk and bring the portfolio in compliance. Concurrently, ECB personnel must notify the Committee of the variance and the actions taken to reduce the exposure to loss.

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In addition to monitoring VaR, ECB periodically performs discrete stress tests ("Stress Tests") to assure that the level of potential losses that would arise from extreme market movements that may not be anticipated by VaR measures are within acceptable levels.

As of March 31, 2018 and December 31, 2017, a summary of the Company's assets, liabilities and collateral received or pledged related to these transactions was as follows:

|  | March 31, 2018                  |  | December 31, 2017               |  |
|--|---------------------------------|--|---------------------------------|--|
|  | Asset<br>(Liability)<br>Balance | Market Value of<br>Collateral Received<br>or (Pledged) | Asset<br>(Liability)<br>Balance | Market Value of<br>Collateral Received<br>or (Pledged) |
| <b>Assets</b>  |                                 |  |                                 |  |
| Financial Instruments Owned and Pledged as Collateral at Fair Value    | \$21,837                        |  | \$19,374                        |  |
| Securities Purchased Under Agreements to Resell                        | 10,637                          | \$ 10,638  | 10,645                          | \$ 10,643  |
| Total Assets   | \$32,474                        |  | \$30,019                        |  |
| <b>Liabilities</b>   |                                 |  |                                 |  |
| Securities Sold Under Agreements to Repurchase<br>Note 9 – Investments | \$(32,476)                      | \$ (32,447 )   | \$(30,027)                      | \$ (30,020 )   |

The Company's investments reported on the Unaudited Condensed Consolidated Statements of Financial Condition consist of investments in unconsolidated affiliated companies, other investments in private equity partnerships, an equity security in a private company and investments in G5 Holdings S.A. ("G5"), Glisco Manager Holdings LP and Trilantic Capital Partners ("Trilantic"). The Company's investments are relatively high-risk and illiquid assets. The Company's investments in ABS Investment Management, LLC ("ABS"), Atalanta Sosnoff Capital, LLC ("Atalanta Sosnoff"), Luminis Partners ("Luminis") and G5 are in voting interest entities. The Company's share of earnings (losses) on its investments in ABS, Atalanta Sosnoff, Luminis and G5 (through December 31, 2017, the date the Company exchanged all of its outstanding equity interests for debentures of G5) are included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

The Company also has investments in private equity partnerships which consist of investment interests in private equity funds which are voting interest entities. Realized and unrealized gains and losses on the private equity investments are included within Other Revenue, Including Interest and Investments.

**Equity Method Investments**

A summary of the Company's investments accounted for under the equity method of accounting as of March 31, 2018 and December 31, 2017 was as follows:

|                  | March<br>31,<br>2018 | December<br>31, 2017 |
|------------------|----------------------|----------------------|
| ABS              | \$40,440             | \$ 39,894            |
| Atalanta Sosnoff | 13,802               | 13,963               |
| Luminis          | 5,999                | 5,999                |
| Total            | \$60,241             | \$ 59,856            |

**ABS**

In 2011, the Company made an investment accounted for under the equity method of accounting in ABS. At March 31, 2018, the Company's economic ownership interest in ABS was 45%. This investment resulted in earnings of \$1,872 and \$1,531 for the three months ended March 31, 2018 and 2017, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.





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## Atalanta Sosnoff

On December 31, 2015, the Company amended the Operating Agreement with Atalanta Sosnoff and deconsolidated its assets and liabilities. The Company accounted for its interest in Atalanta Sosnoff under the equity method of accounting from that date forward. At March 31, 2018, the Company's economic ownership interest in Atalanta Sosnoff was 49%. This investment resulted in earnings of \$253 and \$105 for the three months ended March 31, 2018 and 2017, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

## Luminis

On January 1, 2017, the Company acquired a 19% interest in Luminis and accounted for its interest under the equity method of accounting. This investment did not result in earnings for the three months ended March 31, 2018 and 2017.

## Other

The Company allocates the purchase price of its equity method investments, in part, to the inherent finite-lived identifiable intangible assets of the investees. The Company's share of the earnings of the investees has been reduced by the amortization of these identifiable intangible assets inherent in the investments of \$222 and \$390 for the three months ended March 31, 2018 and 2017, respectively.

The Company assesses its equity method investments for impairment annually, or more frequently if circumstances indicate impairment may have occurred.

## Debt Security Investment

On December 31, 2017, the Company exchanged all of its outstanding equity interests in G5 for debentures of G5.

The Company recorded its investment in G5 as a held-to-maturity debt security of \$10,995 within Investments on the Unaudited Condensed Consolidated Statement of Financial Condition as of December 31, 2017, representing the fair value of the debentures at the date of the exchange. The securities are mandatorily redeemable on December 31, 2027, or earlier, subject to the occurrence of certain events. The Company will accrete its investment to its redemption value ratably, or on an accelerated basis if certain revenue thresholds are met by G5, from December 31, 2017 to December 31, 2027. This investment is subject to currency translation from Brazilian Real to the U.S. Dollar, included in Other Revenue, Including Interest and Investments, on the Unaudited Condensed Consolidated Statements of Operations.

This investment had a balance of \$11,132 as of March 31, 2018.

## Investments in Private Equity

## Private Equity Funds

The Company's investments related to private equity partnerships and associated entities include investments in Evercore Capital Partners II, L.P. ("ECP II"), Glisco Partners II, L.P. ("Glisco II"), Glisco Partners III, L.P. ("Glisco III"), Trilantic Capital Partners Associates IV, L.P. ("Trilantic IV") and Trilantic Capital Partners V, L.P. ("Trilantic V"). Portfolio holdings of the private equity funds are carried at fair value. Accordingly, the Company reflects its pro rata share of the unrealized gains and losses occurring from changes in fair value. Additionally, the Company reflects its pro rata share of realized gains, losses and carried interest associated with any investment realizations.

On December 31, 2014, ECP II was terminated. The Company's investment at March 31, 2018 of \$809 is comprised of its remaining interest in the general partner, including \$782 in cash and \$27 in securities.

A summary of the Company's investment in the private equity funds as of March 31, 2018 and December 31, 2017 was as follows:

|                          | March<br>31,<br>2018 | December<br>31, 2017 |
|--------------------------|----------------------|----------------------|
| ECP II                   | \$809                | \$833                |
| Glisco II and Glisco III | 5,913                | 6,558                |

|                              |           |           |
|------------------------------|-----------|-----------|
| Trilantic IV and Trilantic V | 6,839     | 6,421     |
| Total Private Equity Funds   | \$ 13,561 | \$ 13,812 |

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Net realized and unrealized gains on private equity fund investments were \$346 and \$339 for the three months ended March 31, 2018 and 2017, respectively. In the event the funds perform poorly, the Company may be obligated to repay certain carried interest previously distributed. As of March 31, 2018, there was no previously distributed carried interest received from the Company's managed funds that was subject to repayment.

General Partners of Private Equity Funds which are VIEs

The Company has concluded that Evercore Partners II, L.L.C. ("EP II L.L.C."), the general partner of ECP II, is a VIE pursuant to ASC 810. The Company owned 8%-9% of the carried interest earned by the general partner of ECP II.

The Company's assessment of the design of EP II L.L.C. resulted in the determination that the Company is not acting as an agent for other members of the general partner and is a passive holder of interests in the fund, evidenced by the fact that the Company is a non-voting, non-managing member of the general partner and, therefore, has no authority in directing the management operations of the general partner. Furthermore, the Company does not have the obligation to absorb significant losses or the right to receive benefits that could potentially have a significant impact to EP II L.L.C. Accordingly, the Company has concluded that it is not the primary beneficiary of EP II L.L.C. and has not consolidated EP II L.L.C. in the Company's unaudited condensed consolidated financial statements.

Following the Glisco transaction, the Company concluded that Glisco Capital Partners II, Glisco Capital Partners III and Glisco Manager Holdings LP are VIEs and that the Company is not the primary beneficiary of these VIEs. The Company's assessment of the primary beneficiary of these entities included assessing which parties have the power to significantly impact the economic performance of these entities and the obligation to absorb losses, which could be potentially significant to the entities, or the right to receive benefits from the entities that could be potentially significant. Neither the Company nor its related parties will have the ability to make decisions that significantly impact the economic performance of these entities. Further, as a limited partner in these entities, the Company does not possess substantive participating rights. The Company had assets of \$7,950 and \$8,730 included in its Unaudited Condensed Consolidated Statements of Financial Condition at March 31, 2018 and December 31, 2017, respectively, related to these unconsolidated VIEs, representing the carrying value of the Company's investments in the entities.

The Company's exposure to the obligations of these VIEs is generally limited to its investments in these entities. The Company's maximum exposure to loss as of March 31, 2018 and December 31, 2017 was \$10,153 and \$10,996, respectively, which represents the carrying value of the Company's investments in these VIEs, as well as any unfunded commitments to the current funds.

Investment in Trilantic Capital Partners

In 2010, the Company made a limited partnership investment in Trilantic in exchange for 500 Class A limited partnership units of Evercore LP ("Class A LP Units") having a fair value of \$16,090. This investment gave the Company the right to invest in Trilantic's current and future private equity funds, beginning with Trilantic Fund IV. The Company accounts for this investment at its cost minus impairment, if any, plus or minus changes resulting from observable price changes. The Company allocates the cost of this investment to its investments in current and future Trilantic funds as the Company satisfies the capital calls of these funds. The Company bases this allocation on its expectation of Trilantic's future fundraising ability and performance. During the three months ended March 31, 2018, \$307 of this investment was allocated to Trilantic Fund V. From 2010 to 2017, \$4,513 and \$1,178 of this investment was allocated to Trilantic Fund V and IV, respectively. This investment had a balance of \$10,092 and \$10,399 as of March 31, 2018 and December 31, 2017, respectively. The Company has a \$5,000 commitment to invest in Trilantic Fund V, of which \$782 was unfunded at March 31, 2018. The Company and Trilantic anticipate that the Company will participate in the successor funds to Trilantic Fund V. The Company further anticipates that participation in the successor fund will be at approximately \$12,000.

Other Equity Investments

In 2015, the Company received an equity security in a private company in exchange for advisory services. This investment is accounted for at its cost minus impairment, if any, plus or minus changes resulting from observable

price changes and had a balance of \$1,079 as of March 31, 2018 and December 31, 2017.

Following the Glisco transaction in 2016, the Company recorded an investment in Glisco Manager Holdings LP representing the fair value of the deferred consideration resulting from this transaction. This investment is accounted for at its cost minus impairment, if any, plus or minus changes resulting from observable price changes. The Company amortizes the balance of its investment as distributions are received related to the deferred consideration. This investment had a balance of \$2,037 and \$2,172 as of March 31, 2018 and December 31, 2017, respectively.

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## Note 10 – Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820") establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily-available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities, listed derivatives and treasury bills. As required by ASC 820, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The estimated fair values of the Corporate Bonds, Municipal Bonds, Other Debt Securities and Securities Investments held at March 31, 2018 and December 31, 2017 are based on prices provided by external pricing services.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The following table presents the categorization of investments and certain other financial assets measured at fair value on a recurring basis as of March 31, 2018 and December 31, 2017:

|   | March 31, 2018 |           |           |            |
|---|----------------|-----------|-----------|------------|
|   | Level I        | Level II  | Level III | Total      |
| Corporate Bonds, Municipal Bonds and Other Debt Securities <sup>(1)</sup> | \$ 119,600     | \$ 48,477 | \$ —      | \$ 168,077 |
| Securities Investments <sup>(2)</sup>                                     | 7,319          | 1,780     | —         | 9,099      |
| Investment Funds  | 52,919         | —         | —         | 52,919     |
| Financial Instruments Owned and Pledged as Collateral at Fair Value       | 21,837         | —         | —         | 21,837     |
| Total Assets Measured At Fair Value                                       | \$ 201,675     | \$ 50,257 | \$ —      | \$ 251,932 |

|   | December 31, 2017 |           |           |           |
|---|-------------------|-----------|-----------|-----------|
|   | Level I           | Level II  | Level III | Total     |
| Corporate Bonds, Municipal Bonds and Other Debt Securities <sup>(1)</sup> | \$ —              | \$ 44,648 | \$ —      | \$ 44,648 |
| Securities Investments <sup>(2)</sup>                                     | 4,336             | 1,795     | —         | 6,131     |
| Investment Funds  | 27,699            | —         | —         | 27,699    |
| Financial Instruments Owned and Pledged as Collateral at Fair Value       | 19,374            | —         | —         | 19,374    |
| Total Assets Measured At Fair Value                                       | \$ 51,409         | \$ 46,443 | \$ —      | \$ 97,852 |

Includes \$130,555 and \$10,354 of treasury bills, municipal bonds and commercial paper classified within Cash and (1) Cash Equivalents on the Unaudited Condensed Consolidated Statements of Financial Condition as of March 31, 2018 and December 31, 2017, respectively.

Includes \$3,190 and \$3,092 of treasury bills and municipal bonds classified within Cash and Cash Equivalents on (2) the Unaudited Condensed Consolidated Statements of Financial Condition as of March 31, 2018 and December 31, 2017, respectively.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to

the fair

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value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Company had no transfers between fair value levels during the three months ended March 31, 2018 or the year ended December 31, 2017.

The carrying amount and estimated fair value of the Company's financial instrument assets and liabilities, which are not measured at fair value on the Unaudited Condensed Consolidated Statements of Financial Condition, are listed in the tables below.

|   | March 31, 2018  |                      |          |           |            |
|---|-----------------|----------------------|----------|-----------|------------|
|   | Carrying Amount | Estimated Fair Value |          |           | Total      |
|   |                 | Level I              | Level II | Level III |            |
| Financial Assets:                               |                 |                      |          |           |            |
| Cash and Cash Equivalents                       | \$273,984       | \$273,984            | \$—      | \$—       | —\$273,984 |
| Debt Security Investment                        | 11,132          | —                    | —        | 11,132    | 11,132     |
| Securities Purchased Under Agreements to Resell | 10,637          | —                    | 10,637   | —         | 10,637     |
| Accounts Receivable                             | 223,106         | —                    | 223,106  | —         | 223,106    |
| Receivable from Employees and Related Parties   | 20,763          | —                    | 20,763   | —         | 20,763     |
| Closely-held Equity Security                    | 1,079           | —                    | —        | 1,079     | 1,079      |
| Financial Liabilities:                          |                 |                      |          |           |            |
| Accounts Payable and Accrued Expenses           | \$36,984        | \$—                  | \$36,984 | \$—       | —\$36,984  |
| Securities Sold Under Agreements to Repurchase  | 32,476          | —                    | 32,476   | —         | 32,476     |
| Payable to Employees and Related Parties        | 44,807          | —                    | 44,807   | —         | 44,807     |
| Notes Payable                                   | 168,411         | —                    | 165,290  | —         | 165,290    |
| Subordinated Borrowings                         | 99              | —                    | 100      | —         | 100        |

|   | December 31, 2017 |                      |          |           |            |
|---|-------------------|----------------------|----------|-----------|------------|
|   | Carrying Amount   | Estimated Fair Value |          |           | Total      |
|   |                   | Level I              | Level II | Level III |            |
| Financial Assets:                               |                   |                      |          |           |            |
| Cash and Cash Equivalents                       | \$596,141         | \$596,141            | \$—      | \$—       | —\$596,141 |
| Certificates of Deposit                         | 63,527            | —                    | 63,527   | —         | 63,527     |
| Debt Security Investment                        | 10,995            | —                    | —        | 10,995    | 10,995     |
| Securities Purchased Under Agreements to Resell | 10,645            | —                    | 10,645   | —         | 10,645     |
| Accounts Receivable                             | 184,993           | —                    | 184,993  | —         | 184,993    |
| Receivable from Employees and Related Parties   | 17,030            | —                    | 17,030   | —         | 17,030     |
| Closely-held Equity Security                    | 1,079             | —                    | —        | 1,079     | 1,079      |
| Financial Liabilities:                          |                   |                      |          |           |            |
| Accounts Payable and Accrued Expenses           | \$34,111          | \$—                  | \$34,111 | \$—       | —\$34,111  |
| Securities Sold Under Agreements to Repurchase  | 30,027            | —                    | 30,027   | —         | 30,027     |
| Payable to Employees and Related Parties        | 31,167            | —                    | 31,167   | —         | 31,167     |
| Notes Payable                                   | 168,347           | —                    | 171,929  | —         | 171,929    |
| Subordinated Borrowings                         | 6,799             | —                    | 6,859    | —         | 6,859      |



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## Note 11 – Notes Payable and Subordinated Borrowings

On March 30, 2016, the Company issued an aggregate of \$170,000 of senior notes, including: \$38,000 aggregate principal amount of its 4.88% Series A senior notes due 2021 (the "Series A Notes"), \$67,000 aggregate principal amount of its 5.23% Series B senior notes due 2023 (the "Series B Notes"), \$48,000 aggregate principal amount of its 5.48% Series C senior notes due 2026 (the "Series C Notes") and \$17,000 aggregate principal amount of its 5.58% Series D senior notes due 2028 (the "Series D Notes" and together with the Series A Notes, the Series B Notes and the Series C Notes, the "Private Placement Notes"), pursuant to a note purchase agreement (the "Note Purchase Agreement") dated as of March 30, 2016, among the Company and the purchasers party thereto in a private placement exempt from registration under the Securities Act of 1933.

Interest on the Private Placement Notes is payable semi-annually and the Private Placement Notes are guaranteed by certain of the Company's domestic subsidiaries. The Company may, at its option, prepay all, or from time to time any part of, the Private Placement Notes (without regard to Series), in an amount not less than 5% of the aggregate principal amount of the Private Placement Notes then outstanding at 100% of the principal amount thereof plus an applicable "make-whole amount." Upon the occurrence of a change of control, the holders of the Private Placement Notes will have the right to require the Company to prepay the entire unpaid principal amounts held by each holder of the Private Placement Notes plus accrued and unpaid interest to the prepayment date. The Note Purchase Agreement contains customary covenants, including financial covenants requiring compliance with a maximum leverage ratio, a minimum tangible net worth and a minimum interest coverage ratio, and customary events of default. As of March 31, 2018, the Company was in compliance with all of these covenants.

The Company used \$120,000 of the net proceeds from the Private Placement Notes to repay outstanding borrowings under the senior credit facility with Mizuho Bank, Ltd. ("Mizuho") on March 30, 2016 and used the remaining net proceeds for general corporate purposes.

Notes Payable is comprised of the following as of March 31, 2018 and December 31, 2017:

| Note                                      | Maturity Date | Effective Annual Interest Rate | Carrying Value <sup>(a)</sup> |                   |
|---|---------------|--------------------------------|-------------------------------|-------------------|
|   |               |                                | March 31, 2018                | December 31, 2017 |
| Evercore Inc. 4.88% Series A Senior Notes | 3/30/2021     | 5.16 %                         | \$37,707                      | \$ 37,684         |
| Evercore Inc. 5.23% Series B Senior Notes | 3/30/2023     | 5.44 %                         | 66,382                        | 66,356            |
| Evercore Inc. 5.48% Series C Senior Notes | 3/30/2026     | 5.64 %                         | 47,505                        | 47,493            |
| Evercore Inc. 5.58% Series D Senior Notes | 3/30/2028     | 5.72 %                         | 16,817                        | 16,814            |
| Total                                     |               |                                | \$168,411                     | \$ 168,347        |

(a) Carrying value has been adjusted to reflect the presentation of debt issuance costs as a direct reduction from the related liability.

The Company has subordinated borrowings, principally with an executive officer of the Company, due on October 31, 2019. These borrowings have a coupon of 5.5%, payable semi-annually. In March 2018, the Company repaid \$6,700 and in February 2017, the Company repaid \$6,000 of the original borrowings. The Company had \$99 and \$6,799 in subordinated borrowings pursuant to these agreements as of March 31, 2018 and December 31, 2017, respectively.

## Note 12 – Evercore Inc. Stockholders' Equity

Dividends – The Company's Board of Directors declared on April 24, 2018, a quarterly cash dividend of \$0.50 per share, to the holders of record of shares of Class A common stock ("Class A Shares") as of May 25, 2018, which will be paid on June 8, 2018. During the three months ended March 31, 2018, the Company declared and paid dividends of \$0.40 per share, totaling \$16,539, and accrued deferred cash dividends on unvested RSUs, totaling \$2,631.

Treasury Stock – During the three months ended March 31, 2018, the Company purchased 1,024 Class A Shares primarily from employees at values ranging from \$89.98 to \$101.35 per share (at an average cost per share of \$99.60), primarily for the net settlement of stock-based compensation awards, and 398 Class A Shares at market values ranging from \$89.93 to \$95.98 per share (at an average cost per share of \$93.68) pursuant to the Company's share repurchase program. The aggregate 1,422 Class A Shares were purchased at an average cost per share of \$97.94 and the result of these purchases was an

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increase in Treasury Stock of \$139,236 on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2018.

LP Units – During the three months ended March 31, 2018, 860 LP Units were exchanged for Class A Shares, resulting in an increase to Common Stock and Additional Paid-In-Capital of \$9 and \$34,327, respectively, on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2018.

Accumulated Other Comprehensive Income (Loss) – As of March 31, 2018, Accumulated Other Comprehensive Income (Loss) on the Company's Unaudited Condensed Consolidated Statement of Financial Condition includes an accumulated Unrealized Gain (Loss) on Marketable Securities and Investments, net and Foreign Currency Translation Adjustment Gain (Loss), net, of (\$3,753) and (\$22,296), respectively.

The application of ASU 2016-01 resulted in the reclassification of (\$2,229) of cumulative unrealized losses, net of tax, on Marketable Securities in Accumulated Other Comprehensive Income (Loss) to Retained Earnings on the Unaudited Condensed Consolidated Statement of Financial Condition as of January 1, 2018. See Note 3 for further information.

Note 13 – Noncontrolling Interest

Noncontrolling Interest recorded in the unaudited condensed consolidated financial statements of the Company relates to the following interests in certain consolidated subsidiaries, which are not owned by the Company:

March 31,  
2018 2017

Subsidiary:

|                                       |      |      |
|---------------------------------------|------|------|
| Evercore LP                           | 11 % | 13 % |
| Evercore Wealth Management ("EWM")    | 38 % | 38 % |
| Private Capital Advisory L.P. ("PCA") | 10 % | 26 % |

The Noncontrolling Interests for Evercore LP, EWM and PCA have rights, in certain circumstances, to convert into Class A Shares.

Changes in Noncontrolling Interest for the three months ended March 31, 2018 and 2017 were as follows:

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|  | For the Three Months<br>Ended March 31, |           |
|--|---|-----------|
|  | 2018                                    | 2017      |
| Beginning balance                                  | \$252,404                               | \$256,033 |
| Comprehensive Income:                              |   |           |
| Net Income Attributable to Noncontrolling Interest | 14,193                                  | 13,876    |
| Other Comprehensive Income                         | 521                                     | 44        |
| Total Comprehensive Income                         | 14,714                                  | 13,920    |
| Evercore LP Units Converted into Class A Shares    | (34,336 )                               | (23,126 ) |
| Amortization and Vesting of LP Units/Interests     | 5,122                                   | (21,372 ) |
| Other Items:                                       |   |           |
| Distributions to Noncontrolling Interests          | (13,193 )                               | (8,601 )  |
| Issuance of Noncontrolling Interest                | 60                                      | 8,229     |
| Purchase of Noncontrolling Interest                | (298 )                                  | (261 )    |
| Other, net   | —                                       | (74 )     |
| Total Other Items                                  | (13,431 )                               | (707 )    |
| Ending balance                                     | \$224,473                               | \$224,748 |

Other Comprehensive Income - Other Comprehensive Income attributed to Noncontrolling Interest includes Unrealized Gain (Loss) on Marketable Securities and Investments, net, of (\$81) and (\$8) for the three months ended March 31, 2018 and 2017, respectively, and Foreign Currency Translation Adjustment Gain, net, of \$602 and \$52 for the three months ended March 31, 2018 and 2017, respectively.

Interests Issued - During the three months ended March 31, 2017, the Company issued 111 Class A LP Units as settlement of contingent consideration, resulting in an increase to Noncontrolling Interest of \$8,169 on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2017.

Interests Purchased - On March 29, 2018, the Company purchased, at fair value, an additional 15% of PCA for \$25,525 (in cash and a note payable of \$9,164, included in Other Current Liabilities on the Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2018) and on March 3, 2017, the Company purchased, at fair value, an additional 13% of PCA for \$7,071. These purchases resulted in a decrease to Noncontrolling Interest of \$298 and \$261 and a decrease to Additional Paid-In-Capital of \$25,227 and \$6,810, on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2018 and 2017, respectively.

## Note 14 – Net Income Per Share Attributable to Evercore Inc. Common Shareholders

The calculations of basic and diluted net income per share attributable to Evercore Inc. common shareholders for the three months ended March 31, 2018 and 2017 are described and presented below.

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|  | For the Three<br>Months Ended<br>March 31, |          |
|--|--|----------|
|  | 2018                                       | 2017     |
| Basic Net Income Per Share Attributable to Evercore Inc. Common Shareholders   |  |          |
| Numerator:   |  |          |
| Net income attributable to Evercore Inc. common shareholders   | \$95,543                                   | \$80,771 |
| Denominator:   |  |          |
| Weighted average Class A Shares outstanding, including vested restricted stock units ("RSUs ")   | 40,426                                     | 40,480   |
| Basic net income per share attributable to Evercore Inc. common shareholders   | \$2.36                                     | \$2.00   |
| Diluted Net Income Per Share Attributable to Evercore Inc. Common Shareholders   |  |          |
| Numerator:   |  |          |
| Net income attributable to Evercore Inc. common shareholders   | \$95,543                                   | \$80,771 |
| Noncontrolling interest related to the assumed exchange of LP Units for Class A Shares   | (b)  | (b)      |
| Associated corporate taxes related to the assumed elimination of Noncontrolling Interest described above   | (b)  | (b)      |
| Diluted net income attributable to Evercore Inc. common shareholders   | \$95,543                                   | \$80,771 |
| Denominator:   |  |          |
| Weighted average Class A Shares outstanding, including vested RSUs   | 40,426                                     | 40,480   |
| Assumed exchange of LP Units for Class A Shares <sup>(a)(b)</sup>  | 1,621                                      | —        |
| Additional shares of the Company's common stock assumed to be issued pursuant to non-vested RSUs and deferred consideration, as calculated using the Treasury Stock Method | 3,016                                      | 2,881    |
| Shares that are contingently issuable <sup>(c)</sup>   | 400  | 2,575    |
| Diluted weighted average Class A Shares outstanding  | 45,463                                     | 45,936   |
| Diluted net income per share attributable to Evercore Inc. common shareholders   | \$2.10                                     | \$1.76   |

The Company has outstanding Class J limited partnership units of Evercore LP ("Class J LP Units"), which convert into Class E limited partnership units of Evercore LP ("Class E LP Units") and ultimately become exchangeable into Class A Shares on a one-for-one basis. During the three months ended March 31, 2018, the Class J LP Units were dilutive and consequently the effect of their exchange into Class A Shares has been included in the calculation of diluted net income per share attributable to Evercore Inc. common shareholders under the if-converted method. In computing this adjustment, the Company assumes that all Class J LP Units are converted into Class A Shares. The Company also has outstanding Class A and E LP Units in Evercore LP, which give the holders the right to receive Class A Shares upon exchange on a one-for-one basis. During the three months ended March 31, 2018 and 2017, the Class A and E LP Units were antidilutive and consequently the effect of their exchange into Class A Shares has been excluded from the calculation of diluted net income per share attributable to Evercore Inc. common shareholders. The units that would have been included in the denominator of the computation of diluted net income per share attributable to Evercore Inc. common shareholders if the effect would have been dilutive were 5,226 and 6,098 for the three months ended March 31, 2018 and 2017, respectively. The adjustment to the numerator, diluted net income attributable to Class A common shareholders, if the effect would have been dilutive, would have been \$11,344 and \$11,389 for the three months ended March 31, 2018 and 2017, respectively. In computing this adjustment, the Company assumes that all vested Class A LP Units and all Class E LP Units are converted into Class A Shares, that all earnings attributable to those shares are attributed to Evercore Inc. and, that the Company is subject to the statutory tax rates of a C-Corporation under a conventional corporate tax structure in the U.S. at prevailing corporate tax rates. The Company does not anticipate that the Class A and E LP Units will result in a dilutive computation in future periods.



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The Company previously had outstanding Class G and H limited partnership interests of Evercore LP ("Class G and H LP Interests") which were contingently exchangeable into Class E LP Units, and ultimately Class A Shares, and has outstanding Class I-P units of Evercore LP ("Class I-P Units") which are contingently exchangeable into Class I limited partnership units of Evercore LP ("Class I LP Units"), and ultimately Class A Shares, and outstanding Class K-P units of Evercore LP ("Class K-P Units") which are contingently exchangeable into Class K limited partnership units of Evercore LP ("Class K LP Units"), and ultimately Class A Shares, as they are subject to certain performance thresholds being achieved. In July 2017, the Company exchanged all of the outstanding Class H LP Interests for a number of Class J LP Units. As of December 31, 2017, all of the Class G LP Interests either converted into Class E LP Units or were forfeited pursuant to their performance terms. See Note 15 for further discussion. For the purposes of calculating diluted net income per share attributable to Evercore Inc. common shareholders, the Company's Class G and H LP Interests and Class I-P and Class K-P Units are included in diluted weighted average Class A Shares outstanding as of the beginning of the period in which all necessary performance conditions have been satisfied. If all necessary performance conditions have not been satisfied by the end of the period, the number of shares that are included in diluted weighted average Class A Shares outstanding is based on the number of shares that would be issuable if the end of the reporting period were the end of the performance period. The Interests/Units that were assumed to be converted to an equal number of Class A Shares for purposes of computing diluted net income per share attributable to Evercore Inc. common shareholders were 400 and 2,575 for the three months ended March 31, 2018 and 2017, respectively.

The shares of Class B common stock have no right to receive dividends or a distribution on liquidation or winding up of the Company. The shares of Class B common stock do not share in the earnings of the Company and no earnings are allocable to such class. Accordingly, basic and diluted net income per share of Class B common stock have not been presented.

## Note 15 – Share-Based and Other Deferred Compensation

## LP Units

Equities business - In conjunction with the acquisition of the operating businesses of International Strategy & Investment ("ISI") in 2014, the Company issued Evercore LP units and interests which have been treated as compensation, including 710 vested Class E LP Units and an allocation of the value, attributed to post-combination service, of 710 Class E LP Units that vested ratably on October 31, 2015, 2016 and 2017 and became exchangeable into Class A Shares upon vesting, subject to certain liquidated damages and continued employment provisions. Compensation expense related to Class E LP Units was \$4,756 for the three months ended March 31, 2017. The Class E LP Units were fully expensed at December 31, 2017.

The Company also issued 538 vested and 540 unvested Class G LP Interests, which vested ratably and became exchangeable into Class A Shares of the Company in February 2016, 2017 and 2018 if certain earnings before interest and taxes, excluding underwriting, ("Management Basis EBIT") margin thresholds within a range of 12% to 16%, were achieved for the calendar year preceding the date the interests become exchangeable. In the event of death, disability or termination of employment without cause, unvested Class G LP Interests could be canceled or vest based on determination of expected performance, based on a decision by Management. As of December 31, 2017, all of the Class G LP Interests either converted into Class E LP Units or were forfeited pursuant to their performance terms. In addition, in conjunction with the acquisition of ISI, the Company also issued 2,044 vested and 2,051 unvested Class H LP Interests, which would have vested ratably on February 15, 2018, 2019 and 2020. Subject to continued employment, the Company's vested Class H LP Interests would have become exchangeable in February 2018, 2019 and 2020, if certain average Management Basis EBIT and Management Basis EBIT margin thresholds, within ranges of \$8,000 to \$48,000 and 7% to 17%, respectively, were achieved for the three calendar years preceding the date the interests become exchangeable. In the event of death, disability or termination of employment without cause, unvested Class H LP Interests could be canceled or vest based on determination of expected performance, based on a decision

by Management.

In July 2017, the Company exchanged all of the outstanding 4,148 Class H LP Interests for 1,012 vested (963 of which are subject to certain liquidated damages and continued employment provisions) and 938 unvested Class J LP Units. These units convert into an equal amount of Class E LP Units, and become exchangeable into Class A Shares of the Company, ratably on February 15, 2018, 2019 and 2020. These Class J LP Units have the same vesting and delivery schedule, acceleration and forfeiture triggers, and distribution rights as the Class H LP Interests. In connection with this exchange, one share of Class B common stock has been issued to each holder of Class J LP Units, which entitles each holder to one vote on all matters submitted generally to holders of Class A and Class B common stock for each Class E LP Unit and Class J LP Unit held. As the number of Class J LP Units exchanged was within the number of Class H LP Interests that the Company determined were probable of being exchanged on the date of modification, the Company is expensing the previously unrecognized grant date fair

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value of the Class H LP Interests ratably over the remaining vesting period of the Class J LP Units. Compensation expense related to the Class J LP Units was \$3,872 for the three months ended March 31, 2018.

Based on Evercore ISI's results for the first three months of 2017, as well as the Company's revised outlook for the Evercore ISI business, including strategic decisions to increase the compensation ratio for this business, the Company determined that the achievement of the remaining performance thresholds for certain of the Class G LP Interests was no longer probable at March 31, 2017. Prior to the exchange into Class J LP Units in 2017, the Company had determined that the achievement of the remaining performance thresholds for certain of the Class H LP Interests was probable at March 31, 2017, but at a lower assumed performance level than previously determined. These determinations resulted in previously recognized expense for certain of the Class G and H LP Interests being reversed during the first quarter of 2017. The determination assumed a Management Basis EBIT margin of 11.7% and an annual Management Basis EBIT of \$26,904 being achieved in 2017 and a Management Basis EBIT margin of 14.0% and an annual Management Basis EBIT of \$34,357 being achieved in 2018 and 2019 for Evercore ISI, which would have resulted in 2,005 Class H LP Interests vesting and becoming exchangeable into Class E LP Units. Accordingly, \$26,224 of expense was reversed for the three months ended March 31, 2017 for the Class G and H LP Interests. During the first quarter of 2017, the Company amended the terms of 19 Class E LP Units, 14 Class G LP Interests and 162 Class H LP Interests for an exiting employee. The amendment resulted in expense, included within compensation expense related to the Class E LP Units and Class G and H LP Interests above, of (\$3,022) for the three months ended March 31, 2017, reflecting the reversal of all previous expense related to these awards and the subsequent amortization of the awards at the amended grant date fair value of \$14,891. These awards were amortized ratably through June 30, 2017.

Other Performance-based Awards - In November 2016, the Company issued 400 Class I-P Units in conjunction with the appointment of the Executive Chairman. These Class I-P Units convert into a specified number of Class I LP Units, which are exchangeable on a one-for-one basis to Class A Shares, contingent on the achievement of certain market and service conditions, subject to vesting upon specified termination events (including retirement, upon satisfying certain eligibility criteria, on or following January 15, 2022, subject to a one year prior written notice requirement) or a change in control. These Class I-P Units are segregated into two groups of 200 units each, with share price threshold vesting conditions which are required to exceed a certain level for 20 consecutive trading days (which were met as of March 31, 2017). The Company determined the fair value of the award to be \$24,412 and is expensing the award ratably over the implied service period, which ends on March 1, 2022. As the award contains market-based conditions, the entire expense will be recognized if the award does not vest for any reason other than the service conditions. Compensation expense related to this award was \$1,139 for the three months ended March 31, 2018 and 2017.

In November 2017, the Company issued 64 Class K-P Units to an employee of the Company. These Class K-P Units convert into a specified number of Class K LP Units, which are exchangeable on a one-for-one basis to Class A Shares, contingent upon the achievement of certain defined benchmark results and continued service through December 31, 2021. An additional 16 Class K-P Units may be issued contingent upon the achievement of certain defined benchmark results and continued service through December 31, 2021. The Company determined the fair value of the award probable to vest to be \$5,000 and will record expense for these units over the service period. Compensation expense related to this award was \$296 for the three months ended March 31, 2018.

**Stock Incentive Plan**

During 2016, the Company's stockholders approved the Amended and Restated 2016 Evercore Inc. Stock Incentive Plan (the "2016 Plan"). The 2016 Plan, among other things, authorizes an additional 10,000 shares of the Company's Class A Shares. The 2016 Plan permits the Company to grant to key employees, directors and consultants incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, RSUs and other awards based on the Company's Class A Shares. The Company intends to use newly-issued Class A Shares to satisfy any awards under

the 2016 Plan and its predecessor plan. Class A Shares underlying any award granted under the 2016 Plan that expire, terminate or are canceled or satisfied for any reason without being settled in stock again become available for awards under the plans. The total shares available to be granted in the future under the 2016 Plan was 5,484 and 7,455 as of March 31, 2018 and 2017, respectively.

The Company also grants, at its discretion, dividend equivalents, in the form of unvested RSU awards, or deferred cash dividends, concurrently with the payment of dividends to the holders of Class A Shares, on all unvested RSU grants awarded in conjunction with annual bonuses as well as new hire awards. The dividend equivalents have the same vesting and delivery terms as the underlying RSU award.

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The Company estimates forfeitures in the aggregate compensation cost to be amortized over the requisite service period of its awards. The Company periodically monitors its estimated forfeiture rate and adjusts its assumptions to the actual occurrence of forfeited awards. A change in estimated forfeitures is recognized through a cumulative adjustment in the period of the change.

Equity Grants

During the three months ended March 31, 2018, pursuant to the 2016 Plan, the Company granted employees 1,779 RSUs that are Service-based Awards. Service-based Awards granted during the three months ended March 31, 2018 had grant date fair values of \$89.98 to \$94.35 per share. During the three months ended March 31, 2018, 2,332 Service-based Awards vested and 16 Service-based Awards were forfeited. Compensation expense related to Service-based Awards, including RSUs granted to the Executive Chairman in November 2016, was \$42,731 and \$41,044 for the three months ended March 31, 2018 and 2017, respectively.

Deferred Cash

The Company's deferred cash compensation program provides participants the ability to elect to receive a portion of their deferred compensation in cash, which is indexed to a notional investment portfolio and vests ratably over four years and requires payment upon vesting. The Company granted \$82,592, \$3,750 and \$41,147 of deferred cash awards pursuant to the deferred cash compensation program during the first quarter of 2018 and the years ended December 31, 2017 and 2016, respectively.

In November 2016, the Company granted a restricted cash award in conjunction with the appointment of the Executive Chairman with a target payment amount of \$35,000, of which \$11,000 is scheduled to vest on March 1, 2019 and \$6,000 is scheduled to vest on each of the first four anniversaries of March 1, 2019, provided that the Executive Chairman continues to remain employed through each such vesting date, subject to vesting upon specified termination events (including retirement, upon satisfying certain eligibility criteria, on or following May 1, 2019, subject to a six month prior written notice requirement) or a change in control. The Company has the discretion to increase (by an amount up to \$35,000) or decrease (by an amount up to \$8,750) the total amount payable under this award.

In 2017, the Company granted deferred cash awards of \$29,500 to certain employees. These awards vest in five equal installments over the period ending June 30, 2022, subject to continued employment. The Company records expense for these awards ratably over the vesting period.

Compensation expense related to deferred cash awards was \$12,591 and \$4,398 for the three months ended March 31, 2018 and 2017, respectively.

Long-term Incentive Plan

The Company's Long-term Incentive Plan provides for incentive compensation awards to Advisory Senior Managing Directors, excluding executive officers of the Company, who exceed defined benchmark results over four-year performance periods beginning January 1, 2013 and January 1, 2017. These awards, which aggregate \$49,290 of liabilities on the Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2018, are due to be paid, in cash or Class A Shares, at the Company's discretion, in three equal installments in the first quarter of 2017, 2018 and 2019 (for the performance period beginning on January 1, 2013) and in the first quarter of 2021, 2022 and 2023 (for the performance period beginning on January 1, 2017), subject to employment at the time of payment. These awards are subject to retirement eligibility requirements. The Company periodically assesses the probability of the benchmarks being achieved and expenses the probable payout over the requisite service period of the award. The compensation expense related to these awards was \$7,127 and \$5,858 for the three months ended March 31, 2018 and 2017, respectively. In conjunction with this plan, the Company distributed cash payments of \$4,532 and \$19,401 for the three months ended March 31, 2018 and 2017, respectively.

Employee Loans Receivable

Periodically, the Company provides new and existing employees with cash payments in the form of loans and/or other cash awards which are subject to ratable vesting terms with service requirements ranging from one to five years and in certain circumstances, subject to the achievement of performance requirements. Generally, the terms of these awards include a requirement of either full or partial repayment of these awards based on the terms of their employment agreements with the Company. In circumstances where the employee meets the Company's minimum credit standards, the Company amortizes these awards to compensation expense over the relevant service period which is generally the period they are subject to forfeiture.

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Compensation expense related to these awards was \$3,322 and \$4,172 for the three months ended March 31, 2018 and 2017, respectively. The remaining unamortized amount of these awards was \$37,394 as of March 31, 2018.

**Separation and Transition Benefits**

The Company granted separation benefits to certain employees, resulting in expense included in Employee Compensation and Benefits of approximately \$3,418 and \$609 for the three months ended March 31, 2018 and 2017, respectively. In conjunction with these arrangements, the Company distributed cash payments of \$2,875 and \$111 for the three months ended March 31, 2018 and 2017, respectively.

**Note 16 – Commitments and Contingencies**

For a further discussion of the Company's commitments, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

**Operating Leases** – The Company leases office space under non-cancelable lease agreements, which expire on various dates through 2025. The Company reflects lease expense over the lease terms on a straight-line basis. Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain costs incurred by the landlord. Occupancy and Equipment Rental on the Unaudited Condensed Consolidated Statements of Operations includes occupancy rental expense relating to operating leases of \$10,117 and \$9,517 for the three months ended March 31, 2018 and 2017, respectively.

**Private Equity** – As of March 31, 2018, the Company had unfunded commitments for capital contributions of \$3,206 to private equity funds. These commitments will be funded as required through the end of each private equity fund's investment period, subject to certain conditions. Such commitments are satisfied in cash and are generally required to be made as investment opportunities are consummated by the private equity funds.

**Lines of Credit** – On June 24, 2016, Evercore Partners Services East L.L.C. ("East") entered into a loan agreement with PNC Bank, National Association ("PNC") for a revolving credit facility in an aggregate principal amount of up to \$30,000, to be used for working capital and other corporate activities. This facility is secured by East's accounts receivable and the proceeds therefrom, as well as certain assets of EGL, including certain of EGL's accounts receivable. In addition, the agreement contains certain reporting covenants as well as certain debt covenants that prohibit East and the Company from incurring other indebtedness subject to specified exceptions. The Company was in compliance with these covenants as of March 31, 2018. Drawings under this facility bear interest at the prime rate. On February 2, 2017, East drew down \$30,000 on this facility, which was repaid on March 10, 2017. The facility was renewed on June 14, 2017, and the maturity date was extended to June 22, 2018. On January 2, 2018, East drew down \$30,000 on this facility, which was repaid on March 2, 2018.

ECB maintains a line of credit with BBVA Bancomer to fund its trading activities on an intra-day and overnight basis. The facility has a maximum aggregate principal amount of approximately \$10,998 and is secured by trading securities. No interest is charged on the intra-day facility. The overnight facility is charged the Inter-Bank Balance Interest Rate plus 10 basis points. There have been no significant draw downs on ECB's line of credit since August 10, 2006. The line of credit is renewable annually.

**Other Commitments** – In addition, the Company enters into commitments to pay contingent consideration related to certain of its acquisitions. At March 31, 2018, the Company had a remaining commitment for contingent consideration related to its acquisition of Kuna & Co. KG in 2015.

**Restricted Cash** – The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of amounts shown in the Unaudited Condensed Consolidated Statements of Cash Flows:

|                           | March 31, |           |
|---------------------------|-----------|-----------|
|                           | 2018      | 2017      |
| Cash and Cash Equivalents | \$407,729 | \$351,260 |

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|   |           |           |
|---|-----------|-----------|
| Restricted Cash included in Other Assets  | 8,629     | 17,166    |
| Total Cash, Cash Equivalents and Restricted Cash shown in the Statement of Cash Flows | \$416,358 | \$368,426 |

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Restricted Cash included in Other Assets on the Unaudited Condensed Consolidated Statements of Financial Condition primarily represents letters of credit which are secured by cash as collateral for the lease of office space and security deposits for certain equipment. The restrictions will lapse when the leases end.

Contingencies

In the normal course of business, from time to time the Company and its affiliates are involved in judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, Mexican, United Kingdom, Hong Kong, Singapore, Canadian, Dubai and United States government agencies and self-regulatory organizations, as well as state securities commissions in the United States, conduct periodic examinations and initiate administrative proceedings regarding the Company's 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. In view of the inherent difficulty of determining whether any loss in connection with 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, the Company 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, the Company believes, based on current knowledge and after consultation with counsel, that it is 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. Provisions for losses are established in accordance with ASC 450, "Contingencies" when warranted. Once established, such provisions are adjusted when there is more information available or when an event occurs requiring a change.

Note 17 – Regulatory Authorities

EGL is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Under the Alternative Net Capital Requirement, EGL's minimum net capital requirement is \$250. EGL's regulatory net capital as of March 31, 2018 and December 31, 2017 was \$174,435 and \$238,588, respectively, which exceeded the minimum net capital requirement by \$174,185 and \$238,338, respectively.

Certain other non-U.S. subsidiaries are subject to various securities and banking regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These subsidiaries are in excess of their local capital adequacy requirements at March 31, 2018.

ETC, which is limited to fiduciary activities, is regulated by the Office of the Comptroller of the Currency ("OCC") and is a member bank of the Federal Reserve System. The Company, Evercore LP and ETC are subject to written agreements with the OCC that, among other things, require the Company and Evercore LP to maintain at least \$5,000 in Tier 1 capital in ETC (or such other amount as the OCC may require) and maintain liquid assets in ETC in an amount at least equal to the greater of \$3,500 or 180 days coverage of ETC's operating expenses. The Company was in compliance with the aforementioned agreements as of March 31, 2018.

Note 18 – Income Taxes

The Company's Provision for Income Taxes was \$4,938 and \$18,292 for the three months ended March 31, 2018 and 2017, respectively. The effective tax rate was 4% and 16% for the three months ended March 31, 2018 and 2017, respectively. In conjunction with the enactment of the Tax Cuts and Jobs Act on December 22, 2017, which reduced income tax rates in the U.S. in 2018 and future years, the Company's effective tax rate for the three months ended March 31, 2018 was reduced by 12 percentage points, before the impact of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). The effective tax rate for the three months ended March 31, 2018 and 2017 also reflects the application of ASU 2016-09, which was adopted effective January 1, 2017. ASU 2016-09 requires that the tax deduction associated with the appreciation in the Company's share price upon

vesting of employee share-based awards above the original grant price be reflected in income tax expense. The application of 2016-09 resulted in excess tax benefits from the delivery of Class A common stock under share-based payment arrangements of \$21,864 and \$22,957 being recognized in the Company's Provision for Income Taxes for the three months ended March 31, 2018 and 2017, respectively, and resulted in a reduction in the effective tax rate of 19 and 20 percentage points for the three months ended March 31, 2018 and 2017, respectively. The effective tax rate for the three months ended March 31, 2018 and 2017 also reflects the effect of certain nondeductible expenses, including expenses related to Class E, J, I-P and K-P LP Units and Class G and H LP Interests, as well as the noncontrolling interest associated with LP Units and other adjustments.



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On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available or computed analysis in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act. The Company recognized a provisional tax impact related to the re-measurement of net deferred tax assets, the write down of other comprehensive income related to certain foreign subsidiaries, the valuation allowance and effects of the mandatory deemed repatriation tax on undistributed earnings of foreign subsidiaries within its consolidated financial statements for the year ended December 31, 2017. The Company's estimated tax charge as a result of the Tax Cuts and Jobs Act could be subject to adjustments as the Company continues its analysis, which may be impacted by changes in interpretations and assumptions the Company has made in conjunction with the release of additional regulatory guidance that may be issued. There were no changes to the provisional amounts recognized in 2017; the Company expects to record any adjustments to the estimated tax impact associated with the Tax Cuts and Jobs Act in the period in which the items are recognized.

Additionally, the Company expects to recognize the income tax effects associated with the new global intangible low-taxed income ("GILTI") provisions in the period incurred. For the three months ended March 31, 2018, no additional income tax expense associated with the GILTI provisions has been reported and it is not expected to be material to the Company's effective tax rate for the year.

The Company reported an increase in deferred tax assets of \$166 associated with changes in Unrealized Gain (Loss) on Marketable Securities and a decrease of \$1,095 associated with changes in Foreign Currency Translation Adjustment Gain (Loss), in Accumulated Other Comprehensive Income (Loss) for the three months ended March 31, 2018. The Company reported an increase in deferred tax assets of \$21 associated with changes in Unrealized Gain (Loss) on Marketable Securities and a decrease of \$140 associated with changes in Foreign Currency Translation Adjustment Gain (Loss), in Accumulated Other Comprehensive Income (Loss) for the three months ended March 31, 2017.

As of March 31, 2018, the Company had no unrecognized tax benefits.

The Company classifies interest relating to tax matters and tax penalties as a component of income tax expense in its Unaudited Condensed Consolidated Statements of Operations.

Note 19 – Segment Operating Results

Business Segments – The Company's business results are categorized into the following two segments: Investment Banking and Investment Management. Investment Banking includes providing advice to clients on significant mergers, acquisitions, divestitures and other strategic corporate transactions, as well as services related to securities underwriting, private placement services and commissions for agency-based equity trading services and equity research. Investment Management includes advising third-party investors in the Institutional Asset Management and Wealth Management and interests in private equity funds which are not managed by the Company. On October 18, 2017, the Company completed the sale of the Institutional Trust and Independent Fiduciary business of ETC, which was in the Investment Management segment.

The Company's segment information for the three months ended March 31, 2018 and 2017 is prepared using the following methodology:

Revenue, expenses and income (loss) from equity method investments directly associated with each segment are included in determining pre-tax income.

Expenses not directly associated with specific segments are allocated based on the most relevant measures applicable, including headcount, square footage and other performance and time-based factors.

Segment assets are based on those directly associated with each segment, or for certain assets shared across segments, those assets are allocated based on the most relevant measures applicable, including headcount and other factors.

Investment gains and losses, interest income and interest expense are allocated between the segments based on the segment in which the underlying asset or liability is held.

Each segment's Operating Expenses include: a) employee compensation and benefits expenses that are incurred directly in support of the segment and b) non-compensation expenses, which include expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services, execution, clearing and custody fees, equipment and indirect support costs (including compensation and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, legal, facilities management and senior management activities.

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EVERCORE INC.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

Other Expenses include the following:

Amortization of LP Units/Interests and Certain Other Awards - Includes amortization costs or the reversal of expenses associated with the vesting of Class E LP Units, Class G and H LP Interests and Class J LP Units issued in conjunction with the acquisition of ISI and certain other related awards.

Special Charges - Includes expenses in 2018 related to separation benefits and costs for the termination of certain contracts associated with closing the Company's agency trading platform in the U.K.

Acquisition and Transition Costs - Includes costs incurred in connection with acquisitions, divestitures and other ongoing business development initiatives, primarily comprised of professional fees for legal and other services.

Intangible Asset and Other Amortization - Includes amortization of intangible assets and other purchase accounting-related amortization associated with certain acquisitions.

The Company evaluates segment results based on net revenues and pre-tax income, both including and excluding the impact of the Other Expenses.

One client accounted for more than 10% of the Company's Consolidated Net Revenues for the three months ended March 31, 2018.

The following information presents each segment's contribution.

|  | For the Three Months<br>Ended March 31, |             |
|--|---|-------------|
|  | 2018                                    | 2017        |
| <b>Investment Banking</b>                    |   |             |
| Net Revenues <sup>(1)</sup>                  | \$450,200                               | \$370,770   |
| Operating Expenses                           | 331,683                                 | 281,592     |
| Other Expenses <sup>(2)</sup>                | 8,037                                   | (18,979 )   |
| Operating Income                             | 110,480                                 | 108,157     |
| Income (Loss) from Equity Method Investments | —                                       | (149 )      |
| Pre-Tax Income                               | \$110,480                               | \$108,008   |
| Identifiable Segment Assets                  | \$1,148,662                             | \$1,077,509 |
| <b>Investment Management</b>                 |   |             |
| Net Revenues <sup>(1)</sup>                  | \$13,363                                | \$16,477    |
| Operating Expenses                           | 11,273                                  | 13,305      |
| Other Expenses <sup>(2)</sup>                | 21                                      | —           |
| Operating Income                             | 2,069                                   | 3,172       |
| Income from Equity Method Investments        | 2,125                                   | 1,759       |
| Pre-Tax Income                               | \$4,194                                 | \$4,931     |
| Identifiable Segment Assets                  | \$268,991                               | \$355,253   |
| <b>Total</b>                                 |   |             |
| Net Revenues <sup>(1)</sup>                  | \$463,563                               | \$387,247   |
| Operating Expenses                           | 342,956                                 | 294,897     |
| Other Expenses <sup>(2)</sup>                | 8,058                                   | (18,979 )   |
| Operating Income                             | 112,549                                 | 111,329     |
| Income from Equity Method Investments        | 2,125                                   | 1,610       |
| Pre-Tax Income                               | \$114,674                               | \$112,939   |
| Identifiable Segment Assets                  | \$1,417,653                             | \$1,432,762 |

(1) Net revenues include Other Revenue, net, allocated to the segments as follows:



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EVERCORE INC.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

|                                      | For the Three<br>Months Ended<br>March 31, |           |
|--------------------------------------|--|-----------|
|                                      | 2018                                       | 2017      |
| Investment Banking <sup>(A)</sup>    | \$(1,428)                                  | \$(1,178) |
| Investment Management <sup>(B)</sup> | 1,608                                      | 1,195     |
| Total Other Revenue, net             | \$180                                      | \$17      |

(A) Investment Banking Other Revenue, net, includes interest expense on the Notes Payable, subordinated borrowings and the line of credit of \$2,261 and \$2,581 for the three months ended March 31, 2018 and 2017, respectively. Also includes (\$10) of principal trading losses for the three months ended March 31, 2017 to conform to the current presentation.

(B) Includes \$1,064 of net realized and unrealized gains on private equity investments for the three months ended March 31, 2017 to conform to the current presentation.

(2) Other Expenses are as follows:

|   | For the Three<br>Months Ended<br>March 31, |            |
|---|--|------------|
|   | 2018                                       | 2017       |
| Investment Banking  |  |            |
| Amortization of LP Units / Interests and Certain Other Awards | \$3,983                                    | \$(21,371) |
| Special Charges   | 1,897                                      | —          |
| Intangible Asset and Other Amortization                       | 2,157                                      | 2,392      |
| Total Investment Banking                                      | 8,037                                      | (18,979)   |
| Investment Management   |  |            |
| Acquisition and Transition Costs                              | 21   | —          |
| Total Investment Management                                   | 21   | —          |
| Total Other Expenses  | \$8,058                                    | \$(18,979) |

Geographic Information – The Company manages its business based on the profitability of the enterprise as a whole. The Company's revenues were derived from clients located and managed in the following geographical areas:

|                              | For the Three<br>Months Ended<br>March 31, |           |
|------------------------------|--|-----------|
|                              | 2018                                       | 2017      |
| Net Revenues: <sup>(1)</sup> |  |           |
| United States                | \$386,517                                  | \$263,100 |
| Europe and Other             | 65,230                                     | 122,911   |
| Latin America                | 11,636                                     | 1,219     |
| Total                        | \$463,383                                  | \$387,230 |

(1) Excludes Other Revenue, Including Interest and Investments, and Interest Expense.

The Company's total assets are located in the following geographical areas:

|                  | March 31,   | December    |
|------------------|-------------|-------------|
|                  | 2018        | 31, 2017    |
| Total Assets:    |             |             |
| United States    | \$1,175,193 | \$1,284,163 |
| Europe and Other | 169,620     | 234,984     |

|               |             |             |
|---------------|-------------|-------------|
| Latin America | 72,840      | 65,739      |
| Total         | \$1,417,653 | \$1,584,886 |

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Evercore Inc.'s unaudited condensed consolidated financial statements and the related notes included elsewhere in this Form 10-Q.

Forward-Looking Statements

This report contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, which reflect our current views with respect to, among other things, our operations and financial performance. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "backlog," "believes," "expects," "potential," "probable," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties.

Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. All statements other than statements of historical fact are forward-looking statements and, based on various underlying assumptions and expectations, are subject to known and unknown risks, uncertainties and assumptions and may include projections of our future financial performance based on our growth strategies and anticipated trends in Evercore's business. We believe these factors include, but are not limited to, those described under "Risk Factors" discussed in the Annual Report on Form 10-K for the year ended December 31, 2017. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included or incorporated by reference in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise except as required by law.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Key Financial Measures

Revenue

Total revenues reflect revenues from our Investment Banking and Investment Management business segments that include fees for services, transaction-related client reimbursements plus other revenue. Net revenues reflect total revenues less interest expense.

**Investment Banking.** Our Investment Banking business earns fees from our clients for providing advice on mergers, acquisitions, divestitures, leveraged buyouts, restructurings, activism and defense and similar corporate finance matters, and from underwriting and private placement activities, as well as commissions and fees from research and our sales and trading activities. The amount and timing of the fees paid vary by the type of engagement or services provided. In general, advisory fees are paid at the time we sign an engagement letter, during the course of the engagement or when an engagement is completed. The majority of our investment banking revenue consists of advisory fees that are dependent on the successful completion of a transaction. A transaction can fail to be completed for many reasons which are outside of our control, 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. Underwriting fees are recognized when the offering has been deemed to be completed, placement fees are generally recognized at the time of the client's acceptance of capital or capital commitments. **Commissions and Related Fees** includes commissions, which are recorded on a trade-date basis or, in the case of payments under commission sharing arrangements, on the date earned. **Commissions and Related Fees** also include subscription fees for the sales of research. Cash received before the subscription period ends is initially recorded as deferred revenue (a contract liability) and recognized as revenue over the remaining subscription period.

Revenue trends in our advisory business generally are correlated to the volume of merger and acquisition ("M&A") activity and/or restructuring activity, which tends to be counter-cyclical to M&A. However, deviations from this trend can occur in any given year or quarter for a number of reasons. For example, changes in our market share or the ability of our clients to close certain large transactions can cause our revenue results to diverge from the level of overall M&A or restructuring activity. Revenue trends in our equities business are correlated to market volumes, which generally decrease in periods of low market volatility or unfavorable market or economic conditions. Revenue trends in our equities business may also be impacted by new



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regulation, such as the Markets in Financial Instruments Directive II ("MiFID II"), which could impact the demand for our research and trading services from EU investors as well as the manner in which institutional clients pay for research, including paying for research in cash rather than through trading commissions.

**Investment Management.** Our Investment Management business includes operations related to the management of the Wealth Management and Institutional Asset Management businesses and interests in private equity funds which are not managed by the Company. Revenue sources primarily include management fees, which include fees earned from portfolio companies, fiduciary and consulting fees, performance fees (including carried interest) and gains (or losses) on our investments.

Management fees for third party clients generally represent a percentage of assets under management ("AUM"). Fiduciary and consulting fees, which are generally a function of the size and complexity of each engagement, are individually negotiated. The Company records performance fees upon the earlier of the termination of the investment fund or when the likelihood of clawback is mathematically improbable. Portfolio company fees include monitoring, director and transaction fees associated with services provided to the portfolio companies of the private equity funds we hold interests in. Gains and losses include both realized and unrealized gains and losses on principal investments, including those arising from our equity interest in investment partnerships.

**Transaction-Related Client Reimbursements.** In both our Investment Banking and Investment Management segments, we incur various transaction-related expenditures, such as travel and professional fees, in the course of performing our services. Pursuant to the engagement letters with our advisory clients, these expenditures may be reimbursable. We define these expenses, which are associated with revenue activities earned over time, as transaction-related expenses and record such expenditures as incurred and record revenue when it is determined that clients have an obligation to reimburse us for such transaction-related expenses. Client expense reimbursements are recorded as revenue on the Unaudited Condensed Consolidated Statements of Operations on the later of the date an engagement letter is executed or the date we pay or accrue the expense.

**Other Revenue and Interest Expense.** Other Revenue and Interest Expense is derived from investing customer funds in financing transactions. These transactions are principally repurchases and resales of Mexican government and government agency securities. Revenue and expenses associated with these transactions are recognized over the term of the repurchase or resale transaction.

Other Revenue also includes income earned on marketable securities and certificates of deposit, cash and cash equivalents and on our debt security investment in G5, as well as adjustments to amounts due pursuant to our tax receivable agreement, subsequent to its initial establishment related to changes in enacted tax rates, and gains (losses) resulting from foreign currency fluctuations, principal trading and realized and unrealized gains and losses on interests in Private Equity funds which are not managed by the Company.

Interest Expense also includes interest expense associated with our Notes Payable, subordinated borrowings and the line of credit.

**Operating Expenses**

**Employee Compensation and Benefits Expense.** We include all payments for services rendered by our employees, as well as profits interests in our businesses that have been accounted for as compensation, in employee compensation and benefits expense.

We maintain compensation programs, including base salary, cash, deferred cash and equity bonus awards and benefits programs and manage compensation to estimates of competitive levels based on market conditions and performance. Our level of compensation, including deferred 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 annual compensation program includes share-based compensation awards and deferred cash awards as a component of the annual bonus awards for certain employees. These awards are generally subject to annual vesting

requirements over a four-year period beginning at the date of grant, which occurs in the first quarter of each year; accordingly, the expense is generally amortized over the stated vesting period, subject to retirement eligibility. With respect to annual awards, the

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Company's retirement eligibility criteria stipulates that if an employee has at least five years of continuous service, is at least 55 years of age and has a combined age and years of service of at least 65 years, the employee is eligible for retirement. Retirement eligibility allows for continued vesting of awards after employees depart from the Company, provided they give the minimum advance notice, which is generally one year.

The Company estimates forfeitures in the aggregate compensation cost to be amortized over the requisite service period of its awards. The Company periodically monitors its estimated forfeiture rate and adjusts its assumptions to the actual occurrence of forfeited awards. A change in estimated forfeitures is recognized through a cumulative adjustment in the period of the change.

Our Long-term Incentive Plan provides for incentive compensation awards to Advisory Senior Managing Directors, excluding executive officers, who exceed defined benchmark results over four-year performance periods beginning January 1, 2013 and January 1, 2017. These awards are due to be paid, in cash or Class A Shares, at our discretion, in three equal installments in the first quarter of 2017, 2018 and 2019 (for the performance period beginning on January 1, 2013) and in the first quarter of 2021, 2022 and 2023 (for the performance period beginning on January 1, 2017), subject to employment at the time of payment. These awards are subject to retirement eligibility requirements.

**Non-Compensation Expenses.** The balance of our operating expenses includes costs for occupancy and equipment rental, professional fees, travel and related expenses, communications and information technology services, depreciation and amortization, execution, clearing and custody fees, acquisition and transition costs and other operating expenses. We refer to all of these expenses as non-compensation expenses.

### Other Expenses

Other Expenses include the following:

**Amortization of LP Units/Interests and Certain Other Awards** - Includes amortization costs or the reversal of expenses associated with the vesting of Class E LP Units, Class G and H LP Interests and Class J LP Units issued in conjunction with the acquisition of ISI and certain other related awards.

**Special Charges** - Includes expenses in 2018 related to separation benefits and costs for the termination of certain contracts associated with closing our agency trading platform in the U.K.

**Acquisition and Transition Costs** - Includes costs incurred in connection with acquisitions, divestitures and other ongoing business development initiatives, primarily comprised of professional fees for legal and other services.

**Intangible Asset and Other Amortization** - Includes amortization of intangible assets and other purchase accounting-related amortization associated with certain acquisitions.

### Income from Equity Method Investments

Our share of the income (loss) from our equity interests in ABS, Atalanta Sosnoff, Luminis and G5 (through December 31, 2017, the date we exchanged all of our outstanding equity interests for debentures of G5) are included within Income from Equity Method Investments, as a component of Income Before Income Taxes, on the Unaudited Condensed Consolidated Statements of Operations.

### Provision for Income Taxes

We account for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax basis of our assets and liabilities. We adopted ASU 2016-09 on January 1, 2017, which resulted in excess tax benefits and deficiencies from the delivery of Class A Shares under share-based payment arrangements being recognized in the Company's Provision for Income Taxes, rather than in Additional Paid-In-Capital under legacy U.S. GAAP. In addition, net deferred tax assets are impacted by changes to statutory tax rates in the period of enactment. See Note 18 to our unaudited condensed consolidated financial statements for further information.

### Noncontrolling Interest

We record noncontrolling interest relating to the ownership interests of our current and former Senior Managing Directors and other officers and their estate planning vehicles in Evercore LP, as well as the portions of our operating subsidiaries not owned by Evercore. As described in Note 13 to our unaudited condensed consolidated financial statements herein, Evercore



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Inc. is the sole general partner of Evercore LP and has a majority economic interest in Evercore LP. As a result, Evercore Inc. consolidates Evercore LP and records a noncontrolling interest for the economic interest in Evercore LP held by the limited partners.

We generally allocate net income or loss to participating noncontrolling interests held at Evercore LP and at the operating entity level, where required, by multiplying the relative ownership interest of the noncontrolling interest holders for the period by the net income or loss of the entity to which the noncontrolling interest relates. In circumstances where the governing documents of the entity to which the noncontrolling interest relates require special allocations of profits or losses to the controlling and noncontrolling interest holders, then the net income or loss of these entities is allocated based on these special allocations.

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## Results of Operations

The following is a discussion of our results of operations for the three months ended March 31, 2018 and 2017. For a more detailed discussion of the factors that affected the revenue and operating expenses of our Investment Banking and Investment Management business segments in these periods, see the discussion in "Business Segments" below. During the first quarter of 2018, certain balances for the prior period were reclassified to conform to their current presentation. We disaggregated "Investment Banking Revenue" into "Advisory Fees," "Underwriting Fees" and "Commissions and Related Fees" and renamed "Investment Management Revenue" to "Asset Management and Administration Fees," which includes management fees from our wealth management and institutional asset management businesses.

|  | For the Three Months Ended March 31,          |            | Change |     |
|--|---|------------|--------|-----|
|  | 2018  | 2017       |        |     |
|  | (dollars in thousands, except per share data) |            |        |     |
| Revenues   |   |            |        |     |
| Investment Banking:  |   |            |        |     |
| Advisory Fees  | \$ 378,315                                    | \$ 312,284 | 21     | %   |
| Underwriting Fees <sup>(1)</sup>                                 | 30,279  | 9,980      | 203    | %   |
| Commissions and Related Fees                                     | 43,034  | 49,684     | (13)   | (%) |
| Asset Management and Administration Fees                         | 11,755  | 15,282     | (23)   | (%) |
| Other Revenue, Including Interest and Investments <sup>(2)</sup> | 4,529   | 4,793      | (6)    | (%) |
| Total Revenues   | 467,912                                       | 392,023    | 19     | %   |
| Interest Expense   | 4,349   | 4,776      | (9)    | (%) |
| Net Revenues   | 463,563                                       | 387,247    | 20     | %   |
| Expenses   |   |            |        |     |
| Operating Expenses   | 342,956                                       | 294,897    | 16     | %   |
| Other Expenses   | 8,058   | (18,979)   | NM     |     |
| Total Expenses   | 351,014                                       | 275,918    | 27     | %   |
| Income Before  |   |            |        |     |
| Income from Equity Method Investments and Income Taxes           | 112,549                                       | 111,329    | 1      | %   |
| Income from Equity Method Investments                            | 2,125   | 1,610      | 32     | %   |
| Income Before Income Taxes                                       | 114,674                                       | 112,939    | 2      | %   |
| Provision for Income Taxes                                       | 4,938   | 18,292     | (73)   | (%) |
| Net Income   | 109,736                                       | 94,647     | 16     | %   |
| Net Income   |   |            |        |     |
| Attributable to Noncontrolling Interest                          | 14,193  | 13,876     | 2      | %   |
|  | \$ 95,543                                     | \$ 80,771  | 18     | %   |

Net Income  
 Attributable to  
 Evercore Inc.  
 Diluted Net Income  
 Per Share

|  |    |      |    |      |    |   |
|--|----|------|----|------|----|---|
| Attributable to<br>Evercore Inc.<br>Common<br>Shareholders | \$ | 2.10 | \$ | 1.76 | 19 | % |
|--|----|------|----|------|----|---|

The application of ASU 2014-09 resulted in client related expenses for underwriting transactions being presented (1) gross in related revenues and expenses for the three months ended March 31, 2018. Underwriting Fees reflect revenues for client related expenses of \$2.1 million for the three months ended March 31, 2018.

Includes (\$0.01) million of principal trading losses and \$1.1 million of net realized and unrealized gains on private (2) equity investments for the three months ended March 31, 2017 in order to conform to the current period's presentation.

As of March 31, 2018 and 2017, we employed approximately 1,600 and 1,500 people, respectively, worldwide.  
 Three Months Ended March 31, 2018 versus March 31, 2017

Net Revenues were \$463.6 million for the three months ended March 31, 2018, an increase of \$76.3 million, or 20%, versus Net Revenues of \$387.2 million for the three months ended March 31, 2017. Advisory Fees increased 21%, Underwriting Fees increased 203% and Commissions and Related Fees decreased 13% compared to the three months ended March 31, 2017. Asset Management and Administration Fees decreased 23% compared to the three months ended March 31,

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2017. On October 18, 2017, we completed the sale of the Institutional Trust and Independent Fiduciary business of ETC. The results of this business were consolidated for the three months ended March 31, 2017, which included Net Revenues of \$4.9 million and Total Expenses of \$4.4 million. Other Revenue, Including Interest and Investments for the three months ended March 31, 2018 was 6% lower than for the three months ended March 31, 2017.

Total Operating Expenses were \$343.0 million for the three months ended March 31, 2018, as compared to \$294.9 million for the three months ended March 31, 2017, an increase of \$48.1 million, or 16%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$271.6 million for the three months ended March 31, 2018, an increase of \$44.7 million, or 20%, versus expense of \$226.9 million for the three months ended March 31, 2017. The increase was primarily due to increased compensation costs resulting from the expansion of our businesses, including costs associated with new senior hires and increased compensation costs from share-based and other deferred and incentive compensation arrangements, as well as increased incentive compensation related to the 20% increase in Net Revenues. Headcount increased 7% from March 31, 2017 to March 31, 2018. Non-compensation expenses as a component of Operating Expenses were \$71.4 million for the three months ended March 31, 2018, an increase of \$3.4 million, or 5%, versus non-compensation operating expenses of \$68.0 million for the three months ended March 31, 2017. Non-compensation operating expenses increased compared to the three months ended March 31, 2017 primarily driven by increased headcount and increased new business costs.

Total Other Expenses of \$8.1 million for the three months ended March 31, 2018 included compensation costs associated with the vesting of Class J LP Units and certain other awards of \$4.0 million granted in conjunction with the acquisition of ISI, Special Charges of \$1.9 million primarily related to separation benefits and costs of terminating certain contracts associated with closing the agency trading platform in the UK, Acquisition and Transition Costs of \$0.02 million and intangible asset and other amortization of \$2.2 million. Total Other Expenses of (\$19.0) million for the three months ended March 31, 2017 primarily included the reversal of \$26.2 million of expense associated with Evercore LP Interests granted in conjunction with the acquisition of ISI, as the achievement of certain of the remaining performance thresholds for the remaining Class G and H LP Interests was no longer probable at March 31, 2017. This assessment was based on management's revised outlook for the Evercore ISI business, including strategic decisions to increase the compensation ratio for this business. Other Expenses for the three months ended March 31, 2017 also included compensation costs associated with the vesting of LP Units and certain other awards of \$4.8 million and intangible asset and other amortization of \$2.4 million.

In July 2017, the Company exchanged all of the outstanding 4.1 million Class H LP Interests for 1.0 million vested and 0.9 million unvested Class J LP Units. These units convert into an equal number of Class E LP Units, and ultimately become exchangeable into Class A Shares of the Company, ratably on February 15, 2018, 2019 and 2020. These Class J LP Units have the same vesting and delivery schedule, acceleration and forfeiture triggers, and distribution rights as the Class H LP Interests. In connection with this exchange, one share of Class B common stock has been issued to each holder of Class J LP Units, which entitles each holder one vote on all matters submitted generally to holders of Class A and Class B common stock, for each Class E LP Unit and Class J LP Unit held. As the number of Class J LP Units exchanged was within the number of Class H LP Interests that the Company determined were probable of being exchanged on the date of modification, the Company is expensing the previously unrecognized fair value of the Class H LP Interests ratably over the remaining vesting period.

As a result of the factors noted above, Employee Compensation and Benefits Expense as a percentage of Net Revenues was 59% for the three months ended March 31, 2018, compared to 53% for the three months ended March 31, 2017.

Income from Equity Method Investments was \$2.1 million for the three months ended March 31, 2018, as compared to \$1.6 million for the three months ended March 31, 2017. The increase was primarily a result of an increase in earnings from ABS, as associated AUM increased.

The provision for income taxes for the three months ended March 31, 2018 was \$4.9 million, which reflected an effective tax rate of 4%. The provision for income taxes for the three months ended March 31, 2017 was \$18.3 million, which reflected an effective tax rate of 16%. In conjunction with the enactment of the Tax Cuts and Jobs Act



on December 22, 2017, which reduced income tax rates in the U.S. in 2018 and future years, our effective tax rate for the three months ended March 31, 2018 was reduced by 12 percentage points, before the impact of ASU 2016-09. The effective tax rate for the three months ended March 31, 2018 and 2017 also reflects the application of ASU 2016-09, which was adopted effective January 1, 2017. ASU 2016-09 requires that the tax deduction associated with the appreciation in the Company's share price upon vesting of employee share-based awards above the original grant price be reflected in income tax expense. The application of ASU 2016-09 resulted in excess tax benefits from the delivery of Class A Shares under share based-payment arrangements of \$21.9 million and \$23.0 million being recognized in the Company's Provision for Income Taxes for the three months ended March 31, 2018 and 2017, respectively, and resulted in a reduction in the effective tax rate of 19 and 20 percentage points for the three months ended

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March 31, 2018 and 2017, respectively. The provision for income taxes for 2018 and 2017 also reflects the effects of certain nondeductible expenses, including expenses related to Class E and J LP Units, Class I-P and K-P Units and Class G and H LP Interests, as well as the noncontrolling interest associated with LP Units and other adjustments. See Note 18 to our unaudited condensed consolidated financial statements for further information.

Net Income Attributable to Noncontrolling Interest was \$14.2 million for the three months ended March 31, 2018 compared to \$13.9 million for the three months ended March 31, 2017. The increase in Net Income Attributable to Noncontrolling Interest primarily reflects higher income allocated to PCA during the three months ended March 31, 2018.

**Business Segments**

The following data presents revenue, expenses and contributions from our equity method investments by business segment.

**Investment Banking**

The following table summarizes the operating results of the Investment Banking segment.

|   | For the Three Months<br>Ended March 31, |           |        |
|---|---|-----------|--------|
|   | 2018                                    | 2017      | Change |
|   | (dollars in thousands)                  |           |        |
| <b>Revenues</b>   |   |           |        |
| <b>Investment Banking:</b>                                  |   |           |        |
| Advisory Fees <sup>(1)</sup>                                | \$378,315                               | \$312,284 | 21 %   |
| Underwriting Fees <sup>(2)</sup>                            | 30,279                                  | 9,980     | 203 %  |
| Commissions and Related Fees                                | 43,034                                  | 49,684    | (13 %) |
| Other Revenue, net <sup>(3)</sup>                           | (1,428 )                                | (1,178 )  | (21 %) |
| Net Revenues  | 450,200                                 | 370,770   | 21 %   |
| <b>Expenses</b>   |   |           |        |
| Operating Expenses  | 331,683                                 | 281,592   | 18 %   |
| Other Expenses  | 8,037                                   | (18,979 ) | NM     |
| Total Expenses  | 339,720                                 | 262,613   | 29 %   |
| Operating Income <sup>(4)</sup>                             | 110,480                                 | 108,157   | 2 %    |
| Income (Loss) from Equity Method Investments <sup>(5)</sup> | —                                       | (149 )    | NM     |
| Pre-Tax Income  | \$110,480                               | \$108,008 | 2 %    |

(1) Includes client related expenses of \$5.3 million and \$6.7 million for the three months ended March 31, 2018 and 2017, respectively.

The application of ASU 2014-09 resulted in client related expenses for underwriting transactions being presented (2) gross in related revenues and expenses for the three months ended March 31, 2018. Underwriting Fees reflect revenues for client related expenses of \$2.1 million for the three months ended March 31, 2018.

Includes interest expense on the Notes Payable, subordinated borrowings and the line of credit of \$2.3 million and (3) \$2.6 million for the three months ended March 31, 2018 and 2017, respectively. Also includes (\$0.01) million of principal trading losses that was previously included in Investment Banking Revenue for the three months ended March 31, 2017 to conform to the current presentation.

(4) Includes Noncontrolling Interest of \$0.1 million and (\$0.7) million for the three months ended March 31, 2018 and 2017, respectively.

(5) Equity in Luminis and G5 - Advisory (through December 31, 2017, the date we exchanged all of our outstanding equity interests for debentures of G5) is classified as Income from Equity Method Investments.

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For the three months ended March 31, 2018, the dollar value of North American announced and completed M&A activity increased 40% and decreased 68%, respectively, compared to the three months ended March 31, 2017, while the dollar value of Global announced and completed M&A activity for the three months ended March 31, 2018 increased 60% and decreased 68%, respectively, compared to the three months ended March 31, 2017. The dollar value of North American announced M&A activity between \$1 - \$5 billion decreased 28% compared to the three months ended March 31, 2017, while the dollar value of Global announced M&A activity between \$1 - \$5 billion decreased 6% compared to the three months ended March 31, 2017:

|   | For the Three<br>Months<br>Ended March<br>31, |       |        |
|---|---|-------|--------|
|   | 2018  | 2017  | Change |
| Industry Statistics (\$ in billions) *  |   |       |        |
| Value of North American M&A Deals Announced                                       | \$453   | \$323 | 40 %   |
| Value of North American M&A Deals Announced between \$1 - \$5 billion             | \$98  | \$136 | (28 %) |
| Value of North American M&A Deals Completed                                       | \$95  | \$294 | (68 %) |
| Value of Global M&A Deals Announced   | \$1,206                                       | \$753 | 60 %   |
| Value of Global M&A Deals Announced between \$1 - \$5 billion                     | \$238   | \$253 | (6 %)  |
| Value of Global M&A Deals Completed   | \$196   | \$611 | (68 %) |
| Evercore Statistics **  |   |       |        |
| Total Number of Fees From Advisory Client Transactions                            | 201   | 163   | 23 %   |
| Investment Banking Fees of at Least \$1 million from Advisory Client Transactions | 63  | 53    | 19 %   |

\* Source: Thomson Reuters April 13, 2018

\*\* Includes revenue generating clients only from Advisory and Underwriting transactions

#### Investment Banking Results of Operations

##### Three Months Ended March 31, 2018 versus March 31, 2017

Net Investment Banking Revenues were \$450.2 million for the three months ended March 31, 2018 compared to \$370.8 million for the three months ended March 31, 2017, which represented an increase of 21%. We earned advisory fees from 201 clients for the three months ended March 31, 2018 compared to 163 for the three months ended March 31, 2017, representing a 23% increase. We had 63 fees in excess of \$1.0 million for the three months ended March 31, 2018, compared to 53 for the three months ended March 31, 2017, representing a 19% increase. The increase in revenues from the three months ended March 31, 2017 primarily reflects an increase of \$66.0 million, or 21%, in Advisory Fees, as we supported clients in a wider variety of matters including strategic M&A, activism, restructuring and capital raising. The increase in revenues was also attributed to an increase of \$20.3 million, or 203%, in Underwriting Fees, as we participated in 20 underwriting transactions (compared to 15 for the three months ended March 31, 2017), 17 of which were as a bookrunner (compared to 3 for the three months ended March 31, 2017). These increases were partially offset by a decrease of \$6.7 million, or 13%, in our Commissions and Related Fees, principally driven by the trend of institutional clients adjusting the level of payments for research services.

Operating Expenses were \$331.7 million for the three months ended March 31, 2018 compared to \$281.6 million for the three months ended March 31, 2017, an increase of \$50.1 million, or 18%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$263.6 million for the three months ended March 31, 2018, as compared to \$217.5 million for the three months ended March 31, 2017, an increase of \$46.1 million, or 21%. The increase was primarily due to increased compensation costs resulting from the expansion of our businesses, including costs associated with new senior hires and increased compensation costs from share-based and other deferred and incentive compensation arrangements, as well as increased annual incentive compensation related to the 21% increase in Net Revenues. Non-compensation expenses, as a component of Operating Expenses, were \$68.1 million for the

three months ended March 31, 2018, as compared to \$64.1 million for the three months ended March 31, 2017, an increase of \$4.0 million, or 6%. Non-compensation operating expenses increased from the prior year primarily driven by increased headcount within the business and increased new business costs.

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Other Expenses of \$8.0 million for the three months ended March 31, 2018 included compensation costs associated with the vesting of Class J LP Units and certain other awards of \$4.0 million, granted in conjunction with the acquisition of ISI, Special Charges of \$1.9 million related to separation benefits and costs of terminating certain contracts associated with closing the agency trading platform in the UK and intangible asset and other amortization of \$2.2 million. Other Expenses of (\$19.0) million for the three months ended March 31, 2017 primarily included the reversal of \$26.2 million of expense associated with Evercore LP Interests granted in conjunction with the acquisition of ISI, as the achievement of certain of the remaining performance thresholds for the remaining Class G and H LP Interests was no longer probable at March 31, 2017. This assessment was based on management's revised outlook for the Evercore ISI business, including strategic decisions to increase the compensation ratio for this business. Other Expenses for the three months ended March 31, 2017 also included compensation costs associated with the vesting of LP Units and certain other awards of \$4.8 million and intangible asset and other amortization of \$2.4 million.

**Investment Management**

The following table summarizes the operating results of the Investment Management segment.

|  | For the Three<br>Months Ended<br>March 31, |         |        |
|--|--|---------|--------|
|  | 2018                                       | 2017    | Change |
|  | (dollars in thousands)                     |         |        |
| <b>Revenues</b>  |  |         |        |
| <b>Asset Management and Administration Fees:</b>       |  |         |        |
| Wealth Management                                      | \$10,969                                   | \$9,643 | 14 %   |
| Institutional Asset Management                         | 786  | 789     | — %    |
| Disposed and Restructured Businesses <sup>(1)(2)</sup> | —  | 4,850   | NM     |
| Asset Management and Administration Fees               | 11,755                                     | 15,282  | (23 %) |
| Other Revenue, net <sup>(3)</sup>                      | 1,608                                      | 1,195   | 35 %   |
| Net Revenues   | 13,363                                     | 16,477  | (19 %) |
| <b>Expenses</b>  |  |         |        |
| Operating Expenses                                     | 11,273                                     | 13,305  | (15 %) |
| Other Expenses   | 21   | —       | NM     |
| Total Expenses   | 11,294                                     | 13,305  | (15 %) |
| Operating Income <sup>(4)</sup>                        | 2,069                                      | 3,172   | (35 %) |
| Income from Equity Method Investments <sup>(5)</sup>   | 2,125                                      | 1,759   | 21 %   |
| Pre-Tax Income   | \$4,194                                    | \$4,931 | (15 %) |

(1) Includes the Institutional Trust and Independent Fiduciary business of ETC, which was previously a consolidated business.

(2) Includes client related expenses of \$0.02 million for the three months ended March 31, 2017.

(3) \$1.1 million of net realized and unrealized gains on private equity investments has been classified in Other Revenue, net, for the three months ended March 31, 2017 to conform to the current presentation.

(4) Includes Noncontrolling Interest of \$1.2 million and \$0.8 million for the three months ended March 31, 2018 and 2017, respectively.

Equity in ABS, Atalanta Sosnoff and G5 - Wealth Management (through December 31, 2017, the date we exchanged all of our outstanding equity interests for debentures of G5), is classified as Income from Equity Method Investments.

**Investment Management Results of Operations**

Our Investment Management segment includes the following activities:

• Wealth Management - conducted through EWM, ETC and Evercore Trust Company of Delaware ("ETCDE").

Fee-based revenues from EWM are primarily earned on a percentage of AUM, while ETC and ETCDE primarily earn

fees from negotiated trust services and fiduciary consulting arrangements.

• Institutional Asset Management - conducted through ECB. Fee-based revenues from ECB are primarily earned on a percentage of AUM.

• Private Equity - conducted through our investment interests in private equity funds. Glisco assumes all responsibility for the management of the funds in Mexico, Glisco II and Glisco III, and we maintain a limited partner's interest in the

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funds and in the general partners of the funds, as well as in Glisco Manager Holdings LP, from which we receive our portion of the management fees earned by Glisco. Prior to the Glisco transaction, we earned management fees on Glisco II and Glisco III of 2.25% and 2.0%, respectively, per annum of committed capital during its investment period, and 2.25% and 2.0%, respectively, per annum on net funded capital thereafter. In addition, the general partner of the private equity funds earned carried interest of 20% based on the fund's performance, provided it exceeded preferred return hurdles to its limited partners. A significant portion of any gains recognized related to ECP II, Glisco II and Glisco III, and any carried interest recognized by them, were distributed to certain of our private equity professionals. We are also passive investors in Trilantic IV and Trilantic V. In the event the private equity funds perform below certain thresholds we may be obligated to repay certain carried interest previously distributed. As of March 31, 2018, there was no previously distributed carried interest received from our managed funds that was subject to repayment.

We also hold interests in ABS and Atalanta Sosnoff that are accounted for under the equity method of accounting. The results of these investments are included within Income from Equity Method Investments.

The Investment Management segment also includes the results of the following businesses that were deconsolidated or restructured prior to March 31, 2018:

On December 31, 2017, we exchanged all of our outstanding equity interests in G5 for debentures of G5. This investment is accounted for as a held-to-maturity security going forward.

On October 18, 2017, we sold the Institutional Trust and Independent Fiduciary business of ETC. Following the sale, the remaining operations of ETC were integrated into EWM.

#### Assets Under Management

AUM for our Investment Management businesses of \$9.4 billion at March 31, 2018 increased compared to \$9.0 billion at December 31, 2017. The amounts of AUM presented in the table below reflect the assets for which we charge a management fee. These assets reflect the fair value of assets managed on behalf of Institutional Asset Management and Wealth Management clients. As defined in ASC 820, valuations performed for Level I investments are based on quoted prices obtained from active markets generated by third parties and Level II investments are valued through the use of models based on either direct or indirect observable inputs in the use of models or other valuation methodologies performed by third parties to determine fair value. For both the Level I and Level II investments, we obtain both active quotes from nationally recognized exchanges and third-party pricing services to determine market or fair value quotes, respectively. For Level III investments, pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Wealth Management maintained 65% and 64% of Level I investments, 31% and 32% of Level II investments and 4% of Level III investments as of March 31, 2018 and December 31, 2017, respectively. Institutional Asset Management maintained 84% and 81% of Level I investments and 16% and 19% of Level II investments as of March 31, 2018 and December 31, 2017, respectively.

The fees that we receive for providing investment advisory and management services are primarily driven by the level and composition of AUM. Accordingly, client flows, market movements, foreign currency fluctuations and changes in our product mix will impact the level of management fees we receive from our investment management businesses. Fees vary with the type of assets managed and the channel in which they are managed, with higher fees earned on equity assets, alternative investment funds, such as hedge funds and private equity funds, and lower fees earned on fixed income and cash management products. Clients will increase or reduce the aggregate amount of AUM that we manage for a number of reasons, including changes in the level of assets that they have available for investment purposes, their overall asset allocation strategy, our relative performance versus competitors offering similar investment products and the quality of our service. The fees we earn are also impacted by our investment performance, as the appreciation or depreciation in the value of the assets that we manage directly impacts our fees.





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The following table summarizes AUM activity for the three months ended March 31, 2018:

|                              | Wealth<br>Management  | Institutional<br>Asset<br>Management | Total   |
|------------------------------|-----------------------|--------------------------------------|---------|
|                              | (dollars in millions) |                                      |         |
| Balance at December 31, 2017 | \$7,330               | \$ 1,633                             | \$8,963 |
| Inflows                      | 349                   | 350                                  | 699     |
| Outflows                     | (160 )                | (328 )                               | (488 )  |
| Market Appreciation          | 8                     | 202                                  | 210     |
| Balance at March 31, 2018    | \$7,527               | \$ 1,857                             | \$9,384 |

Unconsolidated Affiliates - Balance at March 31, 2018:

|                  |     |          |         |
|------------------|-----|----------|---------|
| Atalanta Sosnoff | \$— | \$ 5,761 | \$5,761 |
| ABS              | \$— | \$ 5,436 | \$5,436 |

The following table represents the composition of our AUM for Wealth Management and Institutional Asset Management as of March 31, 2018:

|                          | Wealth<br>Management |   | Institutional<br>Asset<br>Management |   |
|--------------------------|----------------------|---|--------------------------------------|---|
| Equities                 | 56                   | % | 22                                   | % |
| Fixed Income             | 30                   | % | 78                                   | % |
| Liquidity <sup>(1)</sup> | 8                    | % | —                                    | % |
| Alternatives             | 6                    | % | —                                    | % |
| Total                    | 100                  | % | 100                                  | % |

(1) Includes cash, cash equivalents and U.S. Treasury securities.

Our Wealth Management business serves individuals, families and related institutions delivering customized investment management, financial planning, and trust and custody services. Investment portfolios are tailored to meet the investment objectives of individual clients and reflect a blend of equity, fixed income and other products. Fees charged to clients reflect the composition of the assets managed and the services provided. Investment performance in the Wealth Management businesses is measured against appropriate indices based on the AUM, most frequently the S&P 500 and a composite fixed income index principally reflecting BarCap and MSCI indices.

For the three months ended March 31, 2018, AUM for Wealth Management increased 3%, primarily reflecting an increase due to flows. Wealth Management outperformed the S&P 500 on a 1 year basis by 6% and lagged the S&P 500 on a 3 year basis by 1% during the period and outperformed the fixed income composite on a 1 year basis by 30 basis points and tracked the fixed income composite on a 3 year basis. For the period, the S&P 500 and the fixed income composite were each down 1%.

Our Institutional Asset Management business reflects assets managed by ECB, which primarily manages Mexican Government and corporate fixed income securities, as well as equity products. ECB utilizes the IPC Index, which is a capitalization weighted index of leading equities traded on the Mexican Stock Exchange and the Cetes 28 Index, which is an index of Treasury Bills issued by the Mexican Government, as benchmarks in reviewing their performance and managing their investment decisions.

For the three months ended March 31, 2018, AUM for Institutional Asset Management increased 14%, reflecting a 12% increase due to market appreciation and a 2% increase due to flows. ECB's AUM increase from market appreciation primarily reflects the impact of the fluctuation of foreign currency, as well as favorable market volatility. AUM from our unconsolidated affiliates was flat compared to December 31, 2017, as ABS experienced a 1% increase which was offset by a 1% decrease in Atalanta Sosnoff's AUM. On December 31, 2017, we exchanged all of our outstanding equity interests in G5 for debentures of G5.



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## Three Months Ended March 31, 2018 versus March 31, 2017

Net Investment Management Revenues were \$13.4 million for the three months ended March 31, 2018, compared to \$16.5 million for the three months ended March 31, 2017. Asset Management and Administration Fees earned from the management of client portfolios decreased 23% from the three months ended March 31, 2017, following the sale of the Institutional Trust and Independent Fiduciary business of ETC in the fourth quarter of 2017, partially offset by an increase of \$1.3 million in fees from Wealth Management clients, as associated AUM increased. Fee-based revenues included \$0.01 million of revenues from performance fees for the three months ended March 31, 2018 and 2017. Income from Equity Method Investments increased from the three months ended March 31, 2017 primarily as a result of an increase in earnings from ABS as associated AUM increased.

Operating Expenses were \$11.3 million for the three months ended March 31, 2018, as compared to \$13.3 million for the three months ended March 31, 2017, a decrease of \$2.0 million, or 15%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$8.0 million for the three months ended March 31, 2018, as compared to \$9.4 million for the three months ended March 31, 2017, a decrease of \$1.4 million, or 15%.

Non-compensation expenses, as a component of Operating Expenses, were \$3.3 million for the three months ended March 31, 2018, as compared to \$3.9 million for the three months ended March 31, 2017, a decrease of \$0.6 million, or 15%. Compensation and non-compensation expenses decreased following the sale of the Institutional Trust and Independent Fiduciary business of ETC in the fourth quarter of 2017.

Other Expenses of \$0.02 million for the three months ended March 31, 2018 included Acquisition and Transition Costs.

## Cash Flows

Our operating cash flows are primarily influenced by the timing and receipt of investment banking and investment management fees, and the payment of operating expenses, including bonuses to our employees and interest expense on our repurchase agreements, Notes Payable, subordinated borrowings and the line of credit. Investment Banking advisory fees are generally collected within 90 days of billing. However, placement fees may be collected within 180 days of billing, with fees related to private funds capital raising being collected in a period exceeding one year. Commissions earned from our agency trading activities are generally received from our clearing broker within 11 days. Fees from our Wealth Management and Institutional Asset Management businesses are generally billed and collected within 90 days. We traditionally pay a substantial portion of incentive compensation to personnel in the Investment Banking business and to executive officers during the first three months of each calendar year with respect to the prior year's results. Our investing and financing cash flows are primarily influenced by activities to deploy capital to fund investments and acquisitions, raise capital through the issuance of stock or debt, repurchase of outstanding Class A Shares, and/or noncontrolling interest in Evercore LP, as well as our other subsidiaries, payment of dividends and other periodic distributions to our stakeholders. We generally make dividend payments and other distributions on a quarterly basis. We periodically draw down on our line of credit to balance the timing of our operating, investing and financing cash flow needs. A summary of our operating, investing and financing cash flows is as follows:

|                            | For the Three Months<br>Ended March 31, |            |
|----------------------------|---|------------|
|                            | 2018                                    | 2017       |
|                            | (dollars in thousands)                  |            |
| Cash Provided By (Used In) |   |            |
| Operating activities:      |   |            |
| Net income                 | \$ 109,736                              | \$ 94,647  |
| Non-cash charges           | 74,331                                  | 31,950     |
| Other operating activities | (224,752 )                              | (207,803 ) |
| Operating activities       | (40,685 )                               | (81,206 )  |
| Investing activities       | 28,153                                  | (1,478 )   |

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|   |            |            |
|---|------------|------------|
| Financing activities  | (191,968 ) | (124,030 ) |
| Effect of exchange rate changes                                       | 3,473      | (497 )     |
| Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash | (201,027 ) | (207,211 ) |
| Cash, Cash Equivalents and Restricted Cash                            |            |            |
| Beginning of Period   | 617,385    | 575,637    |
| End of Period   | \$416,358  | \$368,426  |

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Three Months Ended March 31, 2018. Cash, Cash Equivalents and Restricted Cash were \$416.4 million at March 31, 2018, a decrease of \$201.0 million versus Cash, Cash Equivalents and Restricted Cash of \$617.4 million at December 31, 2017. Operating activities resulted in a net outflow of \$40.7 million, primarily related to the payment of 2017 bonus awards, partially offset by earnings. Cash of \$28.2 million was provided by investing activities primarily related to the maturity of certificates of deposit, partially offset by net purchases of marketable securities. Financing activities during the period used cash of \$192.0 million, primarily for purchases of treasury stock and noncontrolling interests, the payment of dividends, distributions to noncontrolling interest holders and the repayment of outstanding subordinated borrowings.

Three Months Ended March 31, 2017. Cash, Cash Equivalents and Restricted Cash were \$368.4 million at March 31, 2017, a decrease of \$207.2 million versus Cash, Cash Equivalents and Restricted Cash of \$575.6 million at December 31, 2016. Operating activities resulted in a net outflow of \$81.2 million, primarily related to the payment of 2016 bonus awards. Cash of \$1.5 million was used in investing activities primarily related to purchases of furniture, equipment and leasehold improvements, which were partially offset by net proceeds from sales and maturities of marketable securities. Financing activities during the period used cash of \$124.0 million, primarily for purchases of treasury stock and noncontrolling interest, the payment of dividends, distributions to noncontrolling interest holders and the repayment of outstanding subordinated borrowings.

## Liquidity and Capital Resources

## General

Our current assets include Cash and Cash Equivalents, Marketable Securities and Accounts Receivable relating to Investment Banking and Investment Management revenues. Our current liabilities include accrued expenses, accrued employee compensation and short-term borrowings. We traditionally have made payments for employee bonus awards and year-end distributions to partners in the first quarter of the year with respect to the prior year's results. In addition, payments in respect of deferred cash compensation arrangements are also made in the first quarter. From time to time, advances and/or commitments may also be granted to new employees at or near the date they begin employment, or to existing employees for the purpose of incentive or retention. Cash distributions related to partnership tax allocations are made to the partners of Evercore LP and EWM in accordance with our corporate estimated payment calendar; these payments are made prior to the end of each calendar quarter. In addition, dividends on Class A Shares, and related distributions to partners of Evercore LP, are paid when and if declared by the Board of Directors, which is generally quarterly.

We regularly monitor our liquidity position, including cash, other significant working capital, current assets and liabilities, long-term liabilities, lease commitments and related fixed assets, principal investment commitments related to our Investment Management business, dividends on Class A Shares, partnership distributions and other capital transactions, as well as other matters relating to liquidity and compliance with regulatory requirements. Our liquidity is highly dependent on our revenue stream from our operations, principally from our Investment Banking business, which is a function of closing advisory transactions and earning success fees, the timing and realization of which is irregular and dependent upon factors that are not subject to our control. Our revenue stream funds the payment of our expenses, including annual bonus payments, a portion of which are guaranteed, deferred compensation arrangements, interest expense on our repurchase agreements, Notes Payable, subordinated borrowings, the line of credit and other financing arrangements and income taxes. Payments made for income taxes may be reduced by deductions taken for the increase in tax basis of our investment in Evercore LP. Certain of these tax deductions, when realized, require payment under our long-term liability, Amounts Due Pursuant to Tax Receivable Agreements. We intend to fund these payments from cash and cash equivalents on hand, principally derived from cash flows from operations. These tax deductions, when realized, will result in cash otherwise required to satisfy tax obligations becoming available for other purposes. Our Management Committee meets regularly to monitor our liquidity and cash positions against our short and long-term obligations, as well as our capital requirements and commitments. The result of this review contributes to management's recommendation to the Board of Directors as to the level of quarterly dividend payments, if any.

As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. Revenue generated by our advisory activities is related to the number and value of the transactions in which we are involved. In addition, revenue related to our equities business is driven by market volumes and institutional investor trends, such as the trend to passive investment strategies. During periods of unfavorable market or economic conditions, the number and value of M&A transactions, as well as market volumes in equities, generally decrease, and they generally increase during periods of favorable market or economic conditions. Restructuring activity generally is counter-cyclical to M&A activity. In addition, during periods of unfavorable market conditions our Investment Management business may be impacted by reduced equity valuations and generate relatively lower revenue because fees we receive, either directly or through our affiliates, typically are in part based on the market value of underlying publicly-traded securities. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other

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costs within a time frame and in an amount sufficient to match any decreases in revenue relating to changes in market and economic conditions. Reduced equity valuations resulting from future adverse economic events and/or market conditions may impact our performance and may result in future net redemptions of AUM from our clients, which would generally result in lower revenues and cash flows. These adverse conditions could also have an impact on our goodwill impairment assessment, which is done annually, as of November 30th, or more frequently if circumstances indicate impairment may have occurred.

Changes in regulation, market structure or business activity arising from the ongoing discussions over the U.K.'s implementation of its separation from the European Union may have a negative impact on our business operations in the U.K., and globally, over the intermediate term. We will continue to monitor and manage the potential implications of the separation, including assessing opportunities that may arise, as the potential impact on the U.K. and European economy becomes more evident.

We assess our equity method investments for impairment annually, or more frequently if circumstances indicate impairment may have occurred. These circumstances could include unfavorable market conditions or the loss of key personnel of the investee.

For a further discussion of risks related to our business, refer to "Risk Factors" in our Form 10-K for the year ended December 31, 2017.

**Treasury and Noncontrolling Interest Repurchases**

We periodically repurchase Class A Shares and/or LP Units into Treasury in order to reduce the dilutive effect of equity awards granted. In addition, we may from time to time, purchase noncontrolling interests in subsidiaries. On October 23, 2017, our Board of Directors authorized the repurchase of Class A Shares and/or LP Units so that going forward we will be able to repurchase an aggregate of the lesser of \$750.0 million worth of Class A Shares and/or LP Units and 8.5 million Class A Shares and/or LP Units. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately-negotiated transactions or otherwise. The timing and the actual amount of shares repurchased will depend on a variety of factors, including legal requirements, price, economic and market conditions and the objective to reduce the dilutive effect of equity awards granted as compensation to employees. This program may be suspended or discontinued at any time and does not have a specified expiration date. During the three months ended March 31, 2018, we repurchased 397,980 Class A Shares and LP Units, at an average cost per share/unit of \$93.68, for \$37.3 million pursuant to our repurchase program. In addition, periodically, we buy shares into treasury from our employees in order to allow them to satisfy their minimum tax requirements for share deliveries under our share equity plan. During the three months ended March 31, 2018, we repurchased 1,023,671 Class A Shares, at an average cost per share of \$99.60 for \$102.0 million primarily related to minimum tax withholding requirements of share deliveries.

The aggregate 1,421,651 Class A Shares and LP Units repurchased during the three months ended March 31, 2018 were acquired for aggregate purchase consideration of \$139.2 million, at an average cost per share/unit of \$97.94. On March 29, 2018, we purchased, at fair value, an additional 15% of PCA for \$25.5 million and on March 3, 2017, we purchased, at fair value, an additional 13% of PCA for \$7.1 million.

**Private Placement**

On March 30, 2016, we issued an aggregate \$170.0 million of senior notes, including: \$38.0 million aggregate principal amount of our 4.88% Series A Notes, \$67.0 million aggregate principal amount of our 5.23% Series B Notes, \$48.0 million aggregate principal amount of our 5.48% Series C Notes and \$17.0 million aggregate principal amount of our 5.58% Series D Notes, pursuant to the Note Purchase Agreement dated as of March 30, 2016, among the Company and the purchasers party thereto in a private placement exempt from registration under the Securities Act of 1933.

Interest on the Private Placement Notes is payable semi-annually and the Private Placement Notes are guaranteed by certain of our domestic subsidiaries. We may, at our option, prepay all, or from time to time any part of, the Private Placement Notes (without regard to Series), in an amount not less than 5% of the aggregate principal amount of the Private Placement Notes then outstanding at 100% of the principal amount thereof plus an applicable "make-whole

amount." Upon the occurrence of a change of control, the holders of the Private Placement Notes will have the right to require us to prepay the entire unpaid principal amounts held by each holder of the Private Placement Notes plus accrued and unpaid interest to the prepayment date.



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The Note Purchase Agreement contains customary covenants, including financial covenants requiring compliance with a maximum leverage ratio, a minimum tangible net worth and a minimum interest coverage ratio, and customary events of default. As of March 31, 2018, we were in compliance with all of these covenants.

We used \$120.0 million of the net proceeds from the Private Placement Notes to repay outstanding borrowings under the senior credit facility with Mizuho on March 30, 2016 and used the remaining net proceeds for general corporate purposes.

Lines of Credit

On June 24, 2016, East entered into a loan agreement with PNC for a revolving credit facility in an aggregate principal amount of up to \$30.0 million, to be used for working capital and other corporate activities. This facility is secured by East's accounts receivable and the proceeds therefrom, as well as certain assets of EGL, including certain of EGL's accounts receivable. In addition, the agreement contains certain reporting covenants as well as certain debt covenants that prohibit East and us from incurring other indebtedness subject to specified exceptions. We were in compliance with these covenants as of March 31, 2018. Drawings under this facility bear interest at the prime rate. On February 2, 2017, East drew down \$30.0 million on this facility, which was repaid on March 10, 2017. The facility was renewed on June 14, 2017 and the maturity date was extended to June 22, 2018. On January 2, 2018, East drew down \$30.0 million on this facility, which was repaid on March 2, 2018.

ECB maintains a line of credit with BBVA Bancomer to fund its trading activities on an intra-day and overnight basis. The facility has a maximum aggregate principal amount of approximately \$11.0 million and is secured by trading securities. No interest is charged on the intra-day facility. The overnight facility is charged the Inter-Bank Balance Interest Rate plus 10 basis points. There have been no significant draw downs on ECB's line of credit since August 10, 2006. The line of credit is renewable annually.

Other Commitments

We have a long-term liability, Amounts Due Pursuant to Tax Receivable Agreements, which requires payments to certain Senior Managing Directors.

We have subordinated borrowings, principally with an executive officer of the Company, due on October 31, 2019. These borrowings have a coupon of 5.5%, payable semi-annually. In March 2018, we repaid \$6.7 million and in February 2017, we repaid \$6.0 million of the original borrowings. As of March 31, 2018, we had \$0.1 million in subordinated borrowings pursuant to these agreements.

We have made certain capital commitments with respect to our investment activities, as well as commitments related to contingent consideration from our acquisitions, which are included in the Contractual Obligations section below. Pursuant to deferred compensation and deferred consideration arrangements, we are obligated to make cash payments in future periods. For further information see Note 15 to our unaudited condensed consolidated financial statements. Certain of our subsidiaries are regulated entities and are subject to capital requirements. For further information see Note 17 to our unaudited condensed consolidated financial statements.

Collateralized Financing Activity at ECB

ECB enters into repurchase agreements with clients seeking overnight money market returns whereby ECB transfers to the clients Mexican government securities in exchange for cash and concurrently agrees to repurchase the securities at a future date for an amount equal to the cash exchanged plus a stipulated premium or interest factor. ECB deploys the cash received from, and acquires the securities deliverable to, clients under these repurchase arrangements by purchasing securities in the open market or by entering into reverse repurchase agreements with unrelated third parties. We account for these repurchase and reverse repurchase agreements as collateralized financing transactions. We record a liability on our Unaudited Condensed Consolidated Statements of Financial Condition in relation to repurchase transactions executed with clients as Securities Sold Under Agreements to Repurchase. We record as assets on our Unaudited Condensed Consolidated Statements of Financial Condition, Financial Instruments Owned and Pledged as Collateral at Fair Value (where we have acquired the securities deliverable to clients under these repurchase arrangements by purchasing securities in the open market) and Securities Purchased Under Agreements to

Resell (where we have acquired the securities deliverable to clients under these repurchase agreements by entering into reverse repurchase agreements with unrelated third parties). These Mexican government securities included in Financial Instruments Owned and Pledged as Collateral at Fair Value on the Unaudited Condensed Consolidated

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Statements of Financial Condition have an estimated average time to maturity of approximately 1.0 year, as of March 31, 2018, and are pledged as collateral against repurchase agreements, which are collateralized financing agreements. Generally, collateral is posted equal to the contract value at inception and is subject to market changes. These repurchase agreements are primarily with institutional customer accounts managed by ECB, generally mature within one business day and permit the counterparty to pledge the securities. Increases and decreases in asset and liability levels related to these transactions are a function of growth in ECB's AUM, as well as clients' investment allocations requiring positioning in repurchase transactions.

ECB has procedures in place to monitor the daily risk limits for positions taken, as well as the credit risk based on the collateral pledged under these agreements against their contract value from inception to maturity date. The daily risk measure is VaR, which is a statistical measure, at a 98% confidence level, of the potential daily losses from adverse market movements in an ordinary market environment based on a historical simulation using the prior year's historical data. The Committee has established a policy to maintain VaR at levels below 0.1% of the value of the portfolio. If at any point in time the threshold is exceeded, ECB personnel are alerted by an automated interface with ECB's trading systems and begin to make adjustments in the portfolio in order to mitigate the risk and bring the portfolio in compliance. Concurrently, ECB personnel must notify the Committee of the variance and the actions taken to reduce the exposure to loss.

In addition to monitoring VaR, ECB periodically performs discrete Stress Tests to assure that the level of potential losses that would arise from extreme market movements that may not be anticipated by VaR measures are within acceptable levels. The table below includes a key stress test monitored by the Committee, noted as the sensitivity to a 100 basis point change in interest rates. This analysis assists ECB in understanding the impact of an extreme move in rates, assuring the Collateralized Financing portfolio is structured to maintain risk at an acceptable level, even in extreme circumstances.

The Committee meets monthly to analyze the overall market risk exposure based on positions taken, as well as the credit risk, based on the collateral pledged under these agreements against the contract value from inception to maturity date. In these meetings the Committee evaluates risk from an operating perspective, VaR, and an exceptional perspective, Stress Tests, to determine the appropriate level of risk limits in the current environment.

We periodically assess the collectability or credit quality related to securities purchased under agreements to resell.

As of March 31, 2018 and December 31, 2017, a summary of ECB's assets, liabilities and risk measures related to its collateralized financing activities is as follows:

|  | March 31, 2018         |  | December 31, 2017 |  |
|--|------------------------|--|-------------------|--|
|  | Amount                 | Market Value of<br>Collateral Received or<br>(Pledged) | Amount            | Market Value of<br>Collateral Received or<br>(Pledged) |
|  | (dollars in thousands) |  |                   |  |
| <b>Assets</b>  |                        |  |                   |  |
| Financial Instruments Owned and Pledged as Collateral at Fair Value      | \$21,837               |  | \$19,374          |  |
| Securities Purchased Under Agreements to Resell                          | 10,637                 | \$ 10,638  | 10,645            | \$ 10,643  |
| Total Assets   | 32,474                 |  | 30,019            |  |
| <b>Liabilities</b>   |                        |  |                   |  |
| Securities Sold Under Agreements to Repurchase                           | (32,476 )              | \$ (32,447 )   | (30,027 )         | \$ (30,020 )   |
| Net Liabilities  | \$(2 )                 |  | \$(8 )            |  |
| <b>Risk Measures</b>   |                        |  |                   |  |
| VaR  | \$1                    |  | \$1               |  |
| <b>Stress Test:</b>  |                        |  |                   |  |
| Portfolio sensitivity to a 100 basis point increase in the interest rate | \$(3 )                 |  | \$(1 )            |  |

|  |     |     |
|--|-----|-----|
| Portfolio sensitivity to a 100 basis point decrease in the interest rate | \$3 | \$1 |
|--|-----|-----|

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Contractual Obligations

For a further discussion of our contractual obligations, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

As of March 31, 2018, we were unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority per ASC 740; hence, unrecognized tax benefits have been excluded from this disclosure. We had total commitments (not reflected on our Unaudited Condensed Consolidated Statements of Financial Condition) relating to future capital contributions to private equity funds of \$3.2 million and \$3.4 million as of March 31, 2018 and December 31, 2017, respectively. We expect to fund these commitments with cash flows from operations. We may be required to fund these commitments at any time through June 2028, depending on the timing and level of investments by our private equity funds.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any leasing activities that expose us to any liability that is not reflected in our unaudited condensed consolidated financial statements.

Market Risk and Credit Risk

We, in general, are not a capital-intensive organization and as such, are not subject to significant market or credit risks. Nevertheless, we have established procedures to assess both the market and credit risk, as well as specific investment risk, exchange rate risk and credit risk related to receivables.

Market and Investment Risk

We hold equity securities and invest in exchange-traded funds and mutual funds, principally as an economic hedge against our deferred compensation program. As of March 31, 2018, the fair value of our investments with these products, based on closing prices, was \$54.2 million.

We estimate that a hypothetical 10% adverse change in the market value of the investments would have resulted in a decrease in pre-tax income of approximately \$5.4 million for the three months ended March 31, 2018.

See "-Liquidity and Capital Resources" above for a discussion of collateralized financing transactions at ECB.

Private Equity Funds

Through our principal investments in private equity funds and our ability to earn carried interest from these funds, we face exposure to changes in the estimated fair value of the companies in which these funds invest. Valuations and analysis regarding our investments in Trilantic and Glisco are performed by their respective professionals, and thus we are not involved in determining the fair value for the portfolio companies of such funds.

We estimate that a hypothetical 10% adverse change in the value of the private equity funds would have resulted in a decrease in pre-tax income of approximately \$1.0 million for the three months ended March 31, 2018.

Exchange Rate Risk

We have foreign operations, through our subsidiaries and affiliates, primarily in the United Kingdom and Mexico, as well as provide services to clients in other jurisdictions, which creates foreign exchange rate risk. We have not entered into any transactions to hedge our exposure to these foreign exchange fluctuations through the use of derivative instruments or otherwise. An appreciation or depreciation of any of these currencies relative to the U.S. dollar would result in an adverse or beneficial impact to our financial results. A significant portion of our Latin American revenues have been, and will continue to be, derived from contracts denominated in Mexican pesos and Brazilian real and Evercore Partners Limited's revenue and expenses are denominated primarily in British pounds sterling and euro. Historically, the value of these foreign currencies has fluctuated relative to the U.S. dollar. For the three months ended March 31, 2018, the net impact of the fluctuation of foreign currencies recorded in Other Comprehensive Income within the Unaudited Condensed Consolidated Statement of Comprehensive Income was \$4.2 million. It is currently not our intention to hedge our foreign currency exposure, and we will reevaluate this policy from time to time.

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### Credit Risks

We maintain cash and cash equivalents with financial institutions with high credit ratings. At times, we may maintain deposits in federally insured financial institutions in excess of federally insured ("FDIC") limits or enter into sweep arrangements where banks will periodically transfer a portion of the Company's excess cash position to a money market fund. However, we believe that we are not exposed to significant credit risk due to the financial position of the depository institution or investment vehicles in which those deposits are held.

Accounts Receivable consists primarily of advisory fees and expense reimbursements billed to our clients.

Receivables are reported net of any allowance for doubtful accounts. We maintain an allowance for doubtful accounts to provide coverage for probable losses from our customer receivables and derive the estimate through specific identification for the allowance for doubtful accounts and an assessment of the client's creditworthiness. As of March 31, 2018 and December 31, 2017, total receivables amounted to \$223.1 million and \$185.0 million, respectively, net of an allowance.

The Investment Banking and Investment Management receivables collection periods generally are within 90 days of invoice, with the exception of placement fees, which are generally collected within 180 days of invoice, and fees related to private funds capital raising, which are collected in a period exceeding one year. The collection period for restructuring transactions and private equity fee receivables may exceed 90 days. We recorded minimal bad debt expense for each of the three months ended March 31, 2018 and 2017.

With respect to our Marketable Securities portfolio, which is comprised primarily of highly-rated corporate and municipal bonds, exchange-traded funds, mutual funds and securities investments, we manage our credit risk exposure by limiting concentration risk and maintaining investment grade credit quality. As of March 31, 2018, we had Marketable Securities of \$96.4 million, of which 44% were corporate and municipal securities, primarily with S&P ratings ranging from AAA to BB+.

### Critical Accounting Policies and Estimates

The unaudited condensed consolidated financial statements included in this report are prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions regarding future events that affect the amounts reported in our unaudited condensed consolidated financial statements and their notes, including reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We base these estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates. For a discussion of our critical accounting policies and estimates, refer to our Annual Report on Form 10-K for the year ended December 31, 2017.

We adopted ASU 2014-09 effective January 1, 2018 using the modified retrospective method of transition. Following the adoption of ASU 2014-09, our accounting policies for revenue recognition are as follows:

#### Revenue Recognition

ASU 2014-09 provides a five step model to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company applies this model to its Investment Banking and Asset Management revenue streams.

#### Investment Banking Revenue

We earn investment banking fees from clients for providing advisory services on strategic matters, including mergers, acquisitions, divestitures, leveraged buyouts, restructurings, activism and defense and similar corporate finance matters. Our Investment Banking services also include services related to securities underwriting, private placement services and commissions for agency-based equity trading services and equity research. Revenue is recognized as we satisfy performance obligations, upon transfer of control of promised services to customers in an amount that reflects the consideration we expect to receive in exchange for these services. Our contracts with customers may include

promises to transfer multiple services to a customer. Determining whether services are considered distinct performance obligations that should be accounted for separately

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versus together may require significant judgment. For performance obligations satisfied over time, determining a measure of progress requires us to make significant judgments that affect the timing of revenue recognized. For certain advisory services, we have concluded that performance obligations are satisfied over time. This is based on the premise that we transfer control of services and the client simultaneously receives benefits from these services over the course of an engagement. For performance obligations satisfied at a point in time, determining when control transfers requires us to make significant judgments that affect the timing of when revenue is recognized. We record Investment Banking Revenue on the Unaudited Condensed Consolidated Statements of Operations for the following: In general, advisory fees are paid at the time we sign an engagement letter, during the course of the engagement or when an engagement is completed. In some circumstances, and as a function of the terms of an engagement letter, we may receive fixed retainer fees for financial advisory services concurrent with, or soon after, the execution of the engagement letter or over the course of the engagement, where the engagement letter will specify a future service period associated with those fees. We may also receive announcement fees upon announcement of a transaction in addition to success fees upon closing of a transaction or another defined outcome, both of which represent variable consideration. This variable consideration will be included in the transaction price, as defined, to the extent that it is probable that a significant reversal of revenue will not occur. With respect to retainer, announcement and success fees, there are no distinct performance obligations aside from advisory activities, which are generally focused on achieving a milestone (typically, the announcement and/or the closing of a transaction). These advisory services are provided over time throughout the contract period. We will recognize revenue when distinct services are performed and when it is probable that a reversal of revenue will not occur, which is generally upon the announcement or closing of a transaction. In circumstances in which retainer fees are received in advance of services, these fees are initially recorded as deferred revenue (a contract liability), which is recorded in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition, and subsequently recognized as advisory fee revenue in Advisory Fees on the Unaudited Condensed Consolidated Statements of Operations during the applicable time period within which the service is rendered. Announcement fees for advisory services are recognized upon announcement (the point at which it is determined that the reversal of revenue is not probable) and all other requirements for revenue recognition are satisfied. A portion of the announcement fee may be deferred based on the services remaining to be completed, if any. Success fees for advisory services, such as merger and acquisition advice, are recognized when it is determined that the reversal of revenue is not probable and all other requirements for revenue recognition are satisfied, which is generally at closing of the transaction.

With respect to fairness or valuation opinions, fees are fixed and there is a distinct performance obligation, since the opinion is rendered separate from any other advisory activities. Revenues related to fairness or valuation opinions are recognized at the point in time when the opinion has been rendered and delivered to the client and when it is no longer probable that a reversal of revenue may occur. In the event we were to receive an opinion or success fee in advance of the completion conditions noted above, such fee would initially be recorded as deferred revenue (a contract liability) in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition and subsequently recognized as advisory fee revenue in Advisory Fees on the Unaudited Condensed Consolidated Statements of Operations when the conditions of completion have been satisfied.

Placement fee revenues are attributable to capital raising on both corporations and financial sponsors. We recognize placement fees in accordance with the terms of the engagement letter, which are generally contingent on the achievement of a capital commitment by an investor, at the time of the client's acceptance of capital or capital commitments.

Underwriting fees are attributable to public and private offerings of equity and debt securities and are recognized at the point in time when the offering has been deemed to be completed by the lead manager of the underwriting group. When the offering is completed, the performance obligation has been satisfied and we recognize the applicable management fee, selling concession and underwriting fee. Estimated offering expenses are presented gross in the Unaudited Condensed Consolidated Statements of Operations.



Commissions and Related Fees include commissions received from customers for the execution of agency-based brokerage transactions in listed and over-the-counter equities. The execution of each trade order represents a distinct performance obligation and the transaction price at the point in time of trade order execution is fixed. Trade execution is satisfied at the point in time that the customer has control of the asset and as such, fees are recorded on a trade date basis or, in the case of payments under commission sharing arrangements, when earned. We also earn subscription fees for the sales of research. The delivery of research under subscription arrangements represents a distinct performance obligation that is satisfied over time. The fees are fixed and are recognized over the period in which the performance obligation is satisfied. Cash received before the subscription period ends is initially recorded as deferred revenue (a contract liability) in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition, and is recognized in Commissions and Related Fees

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on the Unaudited Condensed Consolidated Statements of Operations ratably over the period in which the related services are rendered.

Taxes collected from customers and remitted to governmental authorities are presented on a net basis on the Consolidated Statements of Operations.

Our Investment Management business generates revenues from the management of client assets and through interests in private equity funds which are not managed by us. Our contracts with customers may include promises to transfer multiple services to a customer. Determining whether services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. For performance obligations satisfied over time, determining a measure of progress requires us to make significant judgments that affect the timing of revenue recognized.

Asset management fees for third-party clients are generally based on the value of the assets under management and any performance fees that may be negotiated with the client. The management of asset portfolios represents a distinct performance obligation that is satisfied over time. These fees are generally recognized over the period that the related services are provided and in which the performance obligation is satisfied, based upon the beginning, ending or average value of the assets for the relevant period. Fees paid in advance of services rendered are initially recorded as deferred revenue (a contract liability), which is recorded in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition, and are recognized in Asset Management and Administration Fees on the Unaudited Condensed Consolidated Statements of Operations ratably over the period in which the related service is rendered. Generally, to the extent performance fee arrangements have been negotiated, these fees are earned when the likelihood of clawback is mathematically improbable.

Fees generated for serving as an independent fiduciary and/or trustee are either based on a flat fee, are pre-negotiated with the client or are based on the value of assets under administration. The management of assets under administration represents a distinct performance obligation that is satisfied over time. For ongoing engagements, fees are billed quarterly either in advance or in arrears. Fees paid in advance of services rendered and satisfaction of the performance obligation are initially recorded as deferred revenue (a contract liability) in Other Current Liabilities on the Unaudited Condensed Consolidated Statements of Financial Condition, and are recognized in Asset Management and Administration Fees on the Unaudited Condensed Consolidated Statements of Operations ratably over the period in which the related services are rendered and the performance obligation is satisfied.

We record performance fee revenue from the private equity funds when the returns on the private equity funds' investments exceed certain threshold minimums. These performance fees, or carried interest, are computed in accordance with the underlying private equity funds' partnership agreements and are based on investment performance over the life of each investment partnership. We record performance fees upon the earlier of the termination of the investment fund or when the likelihood of clawback is mathematically improbable.

Accounts Receivable consists primarily of investment banking fees and expense reimbursements charged to our clients. We record Accounts Receivable, net of any allowance for doubtful accounts, when relevant revenue recognition criteria has been achieved and payment is conditioned on the passage of time. We maintain an allowance for doubtful accounts to provide coverage for estimated losses from its client receivables. We determine the adequacy of the allowance by estimating the probability of loss based on our analysis of the client's creditworthiness and specifically reserves against exposure where we determine the receivables are impaired, which may include situations where a fee is in dispute or litigation has commenced.

The Investment Banking and Investment Management receivables collection periods generally are within 90 days of invoice, with the exception of placement fees, which are generally collected within 180 days of invoice, and fees related to private funds capital raising, which are collected in a period exceeding one year. The collection period for restructuring transactions and private equity fee receivables may exceed 90 days. Receivables that are collected in a period exceeding one year are reflected in Other Assets on the Unaudited Condensed Consolidated Statement of Financial Condition.

We record contract assets within Other Current Assets on the Unaudited Condensed Consolidated Statement of Financial Condition when payment is due from a client conditioned on future performance or the occurrence of other events. We also recognize a contract asset for the incremental costs of obtaining a contract with a customer if the benefit of those costs is expected to be longer than one year. We apply a practical expedient to expense costs to obtain a contract as incurred when the amortization period is one year or less.

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We adopted ASU 2016-01 effective January 1, 2018. ASU 2016-01 changes the requirements for certain aspects of recognition, measurement and presentation of financial assets and liabilities and amends the disclosure requirements. See Note 3 to our unaudited condensed consolidated financial statements for further information.

We adopted ASU 2016-18 effective January 1, 2018. ASU 2016-18 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 equivalents. See Note 3 to our unaudited condensed consolidated financial statements for further information.

Recently Issued Accounting Standards

For a discussion of other recently issued accounting standards and their impact or potential impact on the Company's consolidated financial statements, see Note 3 to our unaudited condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk and Credit Risk." We do not believe we face any material interest rate risk, foreign currency exchange risk, equity price risk or other market risk except as disclosed in Item 2 " – Market Risk and Credit Risk" above.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Controls over Financial Reporting

We have not made any changes during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act).

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## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

In the normal course of business, from time to time the Company and its affiliates are involved in judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, Mexican, United Kingdom, Hong Kong, Singapore, Canadian, Dubai and United States government agencies and self-regulatory organizations, as well as state securities commissions in the United States, conduct periodic examinations and initiate administrative proceedings regarding the Company's 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. In view of the inherent difficulty of determining whether any loss in connection with 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, the Company 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, the Company believes, based on current knowledge and after consultation with counsel, that it is 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. Provisions for losses are established in accordance with ASC 450, "Contingencies" when warranted. Once established, such provisions are adjusted when there is more information available or when an event occurs requiring a change.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## Issuer Purchases of Equity Securities

| 2018                        | Total Number of Shares (or Units) Purchased(1) | Average Price Paid Per Share | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs(2) | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs(2) |
|-----------------------------|--|------------------------------|--|--|
| January 1 to January 31     | 4,125  | \$ 91.33                     | —  | 8,500,000  |
| February 1 to February 28   | 1,089,499                                      | 99.33                        | 132,602  | 8,367,398  |
| March 1 to March 31         | 328,027  | 93.40                        | 265,378  | 8,102,020  |
| Total January 1 to March 31 | 1,421,651                                      | \$ 97.94                     | 397,980  | 8,102,020  |

(1) Includes the repurchase of 1,023,671 shares in treasury transactions arising from net settlement of equity awards to satisfy minimum tax obligations during the three months ended March 31, 2018.

(2) On October 23, 2017, our Board of Directors authorized the repurchase of Class A Shares and/or LP Units so that going forward Evercore will be able to repurchase an aggregate of the lesser of \$750.0 million worth of Class A Shares and/or LP Units and 8.5 million Class A Shares and/or LP Units. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately-negotiated transactions or otherwise. The timing and the actual amount of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This program may be suspended or discontinued at

any time and does not have a specified expiration date.

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## Item 6. Exhibits and Financial Statement Schedules

| Exhibit<br>Number | Description  |
|-------------------|--|
| 31.1              | <u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) (filed herewith)</u>  |
| 31.2              | <u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) (filed herewith)</u>  |
| 32.1              | <u>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)</u>  |
| 32.2              | <u>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)</u>  |
| 101               | The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, are formatted in XBRL (eXtensible Business Reporting Language); (i) Condensed Consolidated Statements of Financial Condition as of March 31, 2018 and December 31, 2017, (ii) Condensed Consolidated Statements of Operations for the three months ended March 31, 2018 and 2017, (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2018 and 2017, (iv) Condensed Consolidated Statements of Changes in Equity for the three months ended March 31, 2018 and 2017, (v) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017, and (vi) Notes to Condensed Consolidated Financial Statements (filed herewith) |

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.

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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: May 2, 2018

Evercore Inc.

By: /s/ RALPH SCHLOSSTEIN

Name: Ralph Schlosstein

Title: Chief Executive Officer and Director

By: /S/ ROBERT B. WALSH

Name: Robert B. Walsh

Title: Chief Financial Officer