Evercore Inc.
Form 10-Q
August 01, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

OR

o 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 Incorporation or Organization)	(I.R.S. Employer Identification No.)

55 East 52 nd 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 ý 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 ý 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	ý	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Emerging growth company o

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 ý

The number of shares of the registrant’s Class A common stock, par value $0.01 per share, outstanding as of July 25, 2018 was 40,956,001. The number of shares of the registrant’s Class B common stock, par value $0.01 per share, outstanding as of July 25, 2018 was 86 (excluding 14 shares of Class B common stock held by a subsidiary of the registrant).

Table of Contents

Table of Contents

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.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Financial Statements (Unaudited)

Table of Contents

EVERCORE INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(UNAUDITED)
(dollars in thousands, except share data)

	June 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and Cash Equivalents	$403,929	$609,587
Marketable Securities and Certificates of Deposit	249,929	128,559
Financial Instruments Owned and Pledged as Collateral at Fair Value	18,761	19,374
Securities Purchased Under Agreements to Resell	10,625	10,645
Accounts Receivable (net of allowances of $3,426 and $2,772 at June 30, 2018 and December 31, 2017, respectively)	273,997	184,993
Receivable from Employees and Related Parties	21,099	17,030
Other Current Assets	18,585	30,017
Total Current Assets	996,925	1,000,205
Investments	89,582	98,313
Deferred Tax Assets	227,838	198,894
Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of $78,731 and $70,264 at June 30, 2018 and December 31, 2017, respectively)	66,830	68,593
Goodwill	132,669	134,231
Intangible Assets (net of accumulated amortization of $36,616 and $32,018 at June 30, 2018 and December 31, 2017, respectively)	14,979	19,577
Other Assets	83,701	65,073
Total Assets	$1,612,524	$1,584,886
Liabilities and Equity		
Current Liabilities		
Accrued Compensation and Benefits	$285,646	$340,165
Accounts Payable and Accrued Expenses	39,737	34,111
Securities Sold Under Agreements to Repurchase	29,402	30,027
Payable to Employees and Related Parties	44,581	31,167
Taxes Payable	6,285	16,494
Other Current Liabilities	23,725	12,088
Total Current Liabilities	429,376	464,052
Notes Payable	168,477	168,347
Subordinated Borrowings	—	6,799
Amounts Due Pursuant to Tax Receivable Agreements	101,091	90,375
Other Long-term Liabilities	62,580	58,945
Total Liabilities	761,524	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, 65,623,354 and 62,119,904 issued at June 30, 2018 and December 31, 2017, respectively, and 40,944,362	656	621

and 39,102,154 outstanding at June 30, 2018 and December 31, 2017, respectively)		
Class B, par value $0.01 per share (1,000,000 shares authorized, 86 and 82 issued and outstanding at June 30, 2018 and December 31, 2017, respectively)	—	—
Additional Paid-In-Capital	1,721,668	1,600,699
Accumulated Other Comprehensive Income (Loss)	(31,486)	(31,411)
Retained Earnings	198,815	79,461
Treasury Stock at Cost (24,678,992 and 23,017,750 shares at June 30, 2018 and December 31, 2017, respectively)	(1,265,927)	(1,105,406)
Total Evercore Inc. Stockholders' Equity	623,726	543,964
Noncontrolling Interest	227,274	252,404
Total Equity	851,000	796,368
Total Liabilities and Equity	$1,612,524	$1,584,886

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

EVERCORE INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(dollars and share amounts in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
Investment Banking:[1]				
Advisory Fees	$362,995	$294,804	$741,310	$607,088
Underwriting Fees	21,065	9,156	51,344	19,136
Commissions and Related Fees	51,076	53,824	94,110	103,508
Asset Management and Administration Fees[1]	12,170	15,471	23,925	30,753
Other Revenue, Including Interest and Investments[1]	6,239	2,017	10,768	6,810
Total Revenues	453,545	375,272	921,457	767,295
Interest Expense	5,068	4,802	9,417	9,578
Net Revenues	448,477	370,470	912,040	757,717
Expenses				
Employee Compensation and Benefits	265,591	236,856	541,085	442,414
Occupancy and Equipment Rental	14,478	13,585	27,882	26,660
Professional Fees[1]	20,833	9,908	36,883	26,653
Travel and Related Expenses	17,622	16,883	33,978	31,863
Communications and Information Services	10,360	9,941	21,044	20,252
Depreciation and Amortization	6,746	6,047	13,394	11,846
Execution, Clearing and Custody Fees[1]	1,560	3,658	4,750	7,517
Special Charges	—	21,507	1,897	21,507
Acquisition and Transition Costs	—	377	21	377
Other Operating Expenses[1]	6,505	5,442	13,775	11,033
Total Expenses	343,695	324,204	694,709	600,122
Income Before Income from Equity Method Investments and Income Taxes	104,782	46,266	217,331	157,595
Income from Equity Method Investments	2,419	2,070	4,544	3,680
Income Before Income Taxes	107,201	48,336	221,875	161,275
Provision for Income Taxes	25,541	22,459	30,479	40,751
Net Income	81,660	25,877	191,396	120,524
Net Income Attributable to Noncontrolling Interest	12,729	7,693	26,922	21,569
Net Income Attributable to Evercore Inc.	$68,931	$18,184	$164,474	$98,955
Net Income Attributable to Evercore Inc. Common Shareholders	$68,931	$18,184	$164,474	$98,955
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	40,889	40,109	40,653	40,294
Diluted	45,299	44,706	45,377	45,319
Net Income Per Share Attributable to Evercore Inc. Common Shareholders:				
Basic	$1.69	$0.45	$4.05	$2.46
Diluted	$1.52	$0.41	$3.62	$2.18
Dividends Declared per Share of Class A Common Stock	$0.50	$0.34	$0.90	$0.68

(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.

Table of Contents

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income	$81,660	$25,877	$191,396	$120,524
Other Comprehensive Income, net of tax:				
Unrealized Gain (Loss) on Marketable Securities and Investments, net	119	416	(422)	377
Foreign Currency Translation Adjustment Gain (Loss), net	(6,496)	900	(2,301)	1,161
Other Comprehensive Income (Loss)	(6,377)	1,316	(2,723)	1,538
Comprehensive Income	75,283	27,193	188,673	122,062
Comprehensive Income Attributable to Noncontrolling Interest	11,789	7,953	26,503	21,873
Comprehensive Income Attributable to Evercore Inc.	$63,494	$19,240	$162,170	$100,189

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

EVERCORE INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)
(dollars in thousands, except share data)

For the Six Months Ended June 30, 2018

	Class A Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	Treasury Stock		Noncontrolling	Total
	Shares	Dollars	Capital	Income (Loss)	Earnings	Shares	Dollars	Interest	Equity
Balance at December 31, 2017	62,119,904	$621	$1,600,699	$(31,411)	$79,461	(23,017,750)	$(1,105,406)	$252,404	$796,368
Cumulative Effect of Accounting Change[1]	—	—	—	2,229	(2,229)	—	—	—	—
Net Income	—	—	—	—	164,474	—	—	26,922	191,396
Other Comprehensive Income (Loss)	—	—	—	(2,304)	—	—	—	(419)	(2,723)
Treasury Stock Purchases	—	—	—	—	—	(1,661,242)	(160,521)	—	(160,521)
Evercore LP Units Converted into Class A Common Stock	1,054,707	11	56,968	—	—	—	—	(41,565)	15,414
Equity-based Compensation Awards	2,448,743	24	89,459	—	—	—	—	9,997	99,480
Dividends	—	—	—	—	(42,891)	—	—	—	(42,891)
Noncontrolling Interest (Note 13)	—	—	(25,458)	—	—	—	—	(20,065)	(45,523)
Balance at June 30, 2018	65,623,354	$656	$1,721,668	$(31,486)	$198,815	(24,678,992)	$(1,265,927)	$227,274	$851,000

For the Six Months Ended June 30, 2017

	Class A Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	Treasury Stock		Noncontrolling	Total
	Shares	Dollars	Capital	Income (Loss)	Earnings	Shares	Dollars	Interest	Equity
Balance at December 31, 2016	58,292,567	$582	$1,368,122	$(50,096)	$20,343	(19,101,711)	$(811,653)	$256,033	$783,331
Net Income	—	—	—	—	98,955	—	—	21,569	120,524

Other Comprehensive Income	—	—	—	1,234	—	—	—	304	1,538
Treasury Stock Purchases	—	—	—	—	—	(3,092,175)	(231,065)	—	(231,065)
Evercore LP Units Purchased or Converted into Class A Common Stock	654,832	7	24,545	—	—	—	—	(26,360)	(1,808)
Equity-based Compensation Awards	2,489,349	25	79,029	—	—	—	—	(3,119)	75,935
Dividends	—	—	—	—	(34,223)	—	—	—	(34,223)
Noncontrolling Interest (Note 13)	—	—	(7,054)	—	—	—	—	(8,074)	(15,128)
Balance at June 30, 2017	61,436,748	$614	$1,464,642	$(48,862)	$85,075	(22,193,886)	$(1,042,718)	$240,353	$699,104

(1) 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.

Table of Contents

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

	For the Six Months Ended June 30,	
	2018	2017
Cash Flows From Operating Activities		
Net Income	$191,396	$120,524
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Net (Gains) Losses on Investments, Marketable Securities and Contingent Consideration	1,941	1,135
Equity Method Investments	3,673	2,698
Equity-Based and Other Deferred Compensation	141,225	99,237
Impairment of Goodwill and Equity Method Investments	—	21,507
Depreciation, Amortization and Accretion	13,523	11,969
Bad Debt Expense	1,622	1,140
Deferred Taxes	(1,576)	(6,425)
Decrease (Increase) in Operating Assets:		
Marketable Securities	36	367
Financial Instruments Owned and Pledged as Collateral at Fair Value	508	3,876
Securities Purchased Under Agreements to Resell	(50)	(4,674)
Accounts Receivable	(92,014)	48,588
Receivable from Employees and Related Parties	(4,075)	(1,019)
Other Assets	(4,401)	9,134
(Decrease) Increase in Operating Liabilities:		
Accrued Compensation and Benefits	(81,922)	(128,598)
Accounts Payable and Accrued Expenses	6,506	(1,534)
Securities Sold Under Agreements to Repurchase	(447)	777
Payables to Employees and Related Parties	13,415	11,107
Taxes Payable	(11,125)	(18,266)
Other Liabilities	(3,728)	(15,739)
Net Cash Provided by Operating Activities	174,507	155,804
Cash Flows From Investing Activities		
Investments Purchased	(45)	(49)
Distributions of Private Equity Investments	1,578	514
Marketable Securities:		
Proceeds from Sales and Maturities	41,950	23,124
Purchases	(176,202)	(14,736)
Maturity of Certificates of Deposit	63,527	—
Purchase of Certificates of Deposit	(50,000)	—
Purchase of Furniture, Equipment and Leasehold Improvements	(7,178)	(16,804)
Net Cash Provided by (Used in) Investing Activities	(126,370)	(7,951)
Cash Flows From Financing Activities		
Issuance of Noncontrolling Interests	830	110
Distributions to Noncontrolling Interests	(20,584)	(15,944)
Short-Term Borrowing	30,000	30,000
Repayment of Short-Term Borrowing	(30,000)	(30,000)

Repayment of Subordinated Borrowings	(6,799)	(9,751)
Purchase of Treasury Stock and Noncontrolling Interests	(185,373)	(240,377)
Dividends - Class A Stockholders	(37,019)	(29,510)
Net Cash Provided by (Used in) Financing Activities	(248,945)	(295,472)
Effect of Exchange Rate Changes on Cash	(1,576)	(54)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(202,384)	(147,673)
Cash, Cash Equivalents and Restricted Cash-Beginning of Period	617,385	575,637
Cash, Cash Equivalents and Restricted Cash-End of Period	$415,001	$427,964
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Payments for Interest	$9,636	$9,322
Payments for Income Taxes	$32,796	$66,963
Accrued Dividends	$5,869	$4,714
Settlement of Contingent Consideration	$—	$10,780

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents
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 global investment banking platform by establishing a Real Estate Capital Advisory business ("RECA") within its existing Private Capital Advisory L.P. ("PCA") business. See Note 5 for further information.
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.

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 $96,871 and liabilities of $68,714 at June 30, 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 (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 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 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 $3,363 and $6,889 for the three and six months ended June 30, 2017, respectively, and Professional Fees of $295 and $628 for the three and six months ended June 30, 2017, respectively, were reclassified to a new expense line item "Execution, Clearing and Custody Fees" on the Unaudited Condensed Consolidated Statements of Operations.

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 ($253) and ($263) of principal trading losses from Investment Banking Revenue for the three and six months ended June 30, 2017, respectively, and ($1,589) and ($525) of net realized and unrealized losses on private equity investments from Investment Management Revenue for the three and six months ended June 30, 2017, respectively, to "Other Revenue, Including Interest and Investments."

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.

Table of Contents
EVERCORE INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

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 Company is in the process of evaluating its lease agreements under ASU 2016-02, including its lease agreement to expand its New York headquarters signed on July 1, 2018. See Note 16 for further information. 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 asset with a corresponding long-term liability. The Company's lease commitments primarily relate to office space, as discussed in Note 16 and in Note 18 to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The 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," ("ASC 718") 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.

ASU 2018-05 - In March 2018, the FASB issued ASU No. 2018-05, "Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118" ("ASU 2018-05"). ASU 2018-05 adds various SEC paragraphs to ASC 740, “Income

Table of Contents

EVERCORE INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Taxes," ("ASC 740") pursuant to the issuance of SEC Staff Accounting Bulletin No. 118 ("SAB 118"). The amendments in this update were effective upon issuance. See Note 18 for further information.

ASU 2018-07 - In June 2018, the FASB issued ASU No. 2018-07, "Improvements to Nonemployee Share-Based Payment Accounting" ("ASU 2018-07"). ASU 2018-07 provides amendments to ASC 718 to align the accounting for share-based payment awards issued to employees and nonemployees, particularly surrounding the measurement date and impact of performance conditions. The amendments in this update are effective during interim and annual periods beginning after December 15, 2018, with early adoption permitted. The amendments in this update should be applied by means of a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption for liability-classified awards that have not been settled and equity-classified awards for which a measurement date has not been established by the date of adoption, and prospectively for all new awards granted after the date of adoption. 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.

Note 4 – Revenue

The following table presents revenue recognized by the Company for the three and six months ended June 30, 2018:

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Investment Banking:		
Advisory Fees	$362,995	$741,310
Underwriting Fees	21,065	51,344
Commissions and Related Fees	51,076	94,110
Total Investment Banking	$435,136	$886,764
Investment Management:		
Asset Management and Administration Fees:		
Wealth Management	$11,297	$22,266
Institutional Asset Management	873	1,659
Total Investment Management	$12,170	$23,925

Following the adoption of ASU 2014-09, expenses related to underwriting transactions are presented gross in the results of operations of the Company, whereas under legacy U.S. GAAP these expenses were presented net. Underwriting Fees are gross of related non-compensation expenses of $1,677 and $3,797 in the Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2018, respectively. Professional Fees, Travel and Related Expenses, Communications and Information Services and Other Operating Expenses in the Unaudited Condensed Consolidated Statements of Operations are gross of non-compensation expenses of $838, $168, $168 and $503, respectively, for the three months ended June 30, 2018 and $1,923, $375, $375 and $1,124, respectively, for the six months ended June 30, 2018.

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 six months ended June 30, 2018 are as follows:

15

Table of Contents

EVERCORE INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Receivables (Current)[1]	Receivables (Long-term)[2]	Deferred Revenue (Contract Liabilities)[3]	Deferred Revenue (Long-term Contract Liabilities)[4]
Balance at January 1, 2018	$ 184,993	$ 34,008	$ 3,147	$ 1,834
Increase (Decrease)	89,004	17,610	3,234	(103)
Balance at June 30, 2018	$ 273,997	$ 51,618	$ 6,381	$ 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 $2,402 and $5,244 on the Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2018, respectively, that was previously included in deferred revenue on the Company’s Unaudited Condensed Consolidated Statements of Financial Condition.

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 – Business Developments, Special Charges and Intangible Asset Amortization

Business Developments

Real Estate Capital Advisory - On April 23, 2018, the Company announced the expansion of its global investment banking platform by establishing a Real Estate Capital Advisory business within its existing PCA business. This business is focused on secondary transactions for real estate oriented financial sponsors and private equity investors in conjunction with PCA’s existing fund monetization and recapitalization expertise. Certain RECA employees purchased interests in PCA, at fair value, resulting in an increase to Noncontrolling Interest of $770 on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2018. See Note 13 for further information.

In conjunction with the establishment of the RECA business, the Company hired certain employees and entered into an arrangement with the former employer of these employees, which, among other things, provides for contingent consideration to be paid to the former employer of up to $4,463, based on the completion of certain client engagements. The Company accounted for this transaction as an asset acquisition and will recognize the contingent consideration paid as an expense in Professional Fees on the Company's Unaudited Condensed Consolidated Statements of Operations as the related revenue from the underlying engagements is realized. As of June 30, 2018, $1,033 was recognized pursuant to this arrangement.

The Company is the general partner of PCA. Concurrent with this transaction, the Company performed an assessment under ASC 810, "Consolidation," ("ASC 810"), and concluded that PCA remains a VIE following this transaction and determined that the Company is still the primary beneficiary of this VIE. Specifically, the Company's general partner interest provides the Company with the ability to make decisions that significantly impact the economic performance of PCA, while the limited partners do not possess substantive participating rights over PCA. The Company's assessment of the primary beneficiary included assessing which parties have the power to significantly impact the economic performance and the obligation to absorb losses, which could be potentially significant to the entity, or the right to receive benefits from the entity that could be potentially significant. The assets of PCA are not generally available to the Company and the liabilities are generally non-recourse to the Company.

Special Charges

The Company recognized $1,897 for the six months ended June 30, 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. The Company recognized $21,507 for the three and six months ended June 30, 2017, as Special Charges incurred related to an impairment charge of $7,107 associated with the impairment of goodwill in the Company's Institutional Asset Management reporting unit and an impairment charge of $14,400 associated with the impairment of the Company's investment in G5 Holdings S.A. ("G5").

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

Intangible Asset Amortization

Expense associated with the amortization of intangible assets for Investment Banking was $2,190 and $4,380 for the three and six months ended June 30, 2018, respectively, and $2,357 and $4,714 for the three and six months ended June 30, 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 $218 for the three and six months ended June 30, 2018, respectively, and $118 and $236 for the three and six months ended June 30, 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 $19,338 and $22,309 as of June 30, 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 June 30, 2018 and December 31, 2017 were as follows:

	June 30, 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	$3,645	$ 11	$ —	$3,656	$1,806	$ —	$ 11	$ 1,795
Securities Investments - Equity Securities	666	—	423	243	5,388	—	4,144	1,244
Debt Securities Carried by EGL	133,331	162	8	133,485	34,233	87	26	34,294
Investment Funds	57,093	5,460	8	62,545	22,027	5,678	6	27,699
Total	$194,735	$ 5,633	$ 439	$199,929	$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 June 30, 2018 and December 31, 2017 were as follows:

	June 30, 2018		December 31, 2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$3,090	$ 3,101	$204	$ 204
Due after one year through five years	555	555	1,602	1,591
Total	$3,645	$ 3,656	$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 June 30, 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 ($22) and ($35) for the three and six months ended June 30, 2018, respectively, and ($13) and ($26) for the three and six months ended June 30, 2017, respectively.

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 gains (losses) of ($54) and ($65) for the three and six months ended June 30, 2018, respectively, and $21 and ($75) for the three and six months ended June 30, 2017, respectively.

Debt Securities Carried by EGL

EGL invests in a fixed income portfolio consisting primarily of treasury bills and 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 losses of ($136) and ($36) for the three and six months ended June 30, 2018, respectively, and ($220) and ($367) for the three and six months ended June 30, 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 of $1,304 and $1,116 for the three and six months ended June 30, 2018, respectively, and $495 and $1,557 for the three and six months ended June 30, 2017, respectively.

Certificates of Deposit

At June 30, 2018, the Company held a certificate of deposit of $50,000 with a bank with an original maturity of six months when purchased. 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, which 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 1.5 years, as of June 30, 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.

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

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 June 30, 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:

	June 30, 2018		December 31, 2017	
	Asset (Liability) Balance	Market Value of Collateral Received or (Pledged)	Asset (Liability) Balance	Market Value of Collateral Received or (Pledged)
Assets				
Financial Instruments Owned and Pledged as Collateral at Fair Value	$18,761		$19,374	
Securities Purchased Under Agreements to Resell	10,625	$ 10,623	10,645	$ 10,643
Total Assets	$29,386		$30,019	
Liabilities				
Securities Sold Under Agreements to Repurchase	$(29,402)	$ (29,411)	$(30,027)	$ (30,020)

Note 9 – Investments

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, 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 these investments (through December 31, 2017 for G5, 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 June 30, 2018 and December 31, 2017 was as follows:

	June 30, 2018	December 31, 2017
ABS	$36,326	$ 39,894
Atalanta Sosnoff	13,562	13,963
Luminis	6,296	5,999
Total	$56,184	$ 59,856

ABS

On December 29, 2011, the Company made an investment accounted for under the equity method of accounting in ABS. At June 30, 2018, the Company's economic ownership interest in ABS was 46%. This investment resulted in earnings of $1,891 and $3,763 for the three and six months ended June 30, 2018, respectively, and $1,712 and $3,243 for the three and six months

19

ended June 30, 2017, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

Atalanta Sosnoff

On December 31, 2015, the Company amended the Operating Agreement with Atalanta Sosnoff and deconsolidated its assets and liabilities, accounting for its interest under the equity method of accounting from that date forward. At June 30, 2018, the Company's economic ownership interest in Atalanta Sosnoff was 49%. This investment resulted in earnings of $231 and $484 for the three and six months ended June 30, 2018, respectively, and $326 and $431 for the three and six months ended June 30, 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 resulted in earnings of $297 for the three and six months ended June 30, 2018 and $57 for the three and six months ended June 30, 2017, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

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 of $223 and $445 for the three and six months ended June 30, 2018, respectively, and $391 and $781 for the three and six months ended June 30, 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 $9,592 as of June 30, 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 June 30, 2018 of $776 is comprised of its remaining interest in the general partner, including $765 in cash and $11 in securities.

A summary of the Company's investment in the private equity funds as of June 30, 2018 and December 31, 2017 was as follows:

EVERCORE INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

	June 30, 2018	December 31, 2017
ECP II	$776	$ 833
Glisco II and Glisco III	4,127	6,558
Trilantic IV and Trilantic V	5,760	6,421
Total Private Equity Funds	$10,663	$ 13,812

Net realized and unrealized gains (losses) on private equity fund investments were ($204) and $142 for the three and six months ended June 30, 2018, respectively, and ($2,532) and ($2,193) for the three and six months ended June 30, 2017, respectively. During the six months ended June 30, 2018, Glisco II, Trilantic IV and Trilantic V made distributions of $2,011, $194 and $997, respectively. In the event the funds perform poorly, the Company may be obligated to repay certain carried interest previously distributed. As of June 30, 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 $6,208 and $8,730 included in its Unaudited Condensed Consolidated Statements of Financial Condition at June 30, 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 June 30, 2018 and December 31, 2017 was $8,721 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 and future 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 six months ended June 30, 2018, $417 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 $9,982 and $10,399 as of June 30, 2018 and December 31, 2017, respectively. The Company has a $5,000 commitment to invest in Trilantic Fund V, of which $683 was unfunded at June 30, 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 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 June 30, 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 $2,082 and $2,172 as of June 30, 2018 and December 31, 2017, respectively.

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 June 30, 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 June 30, 2018 and December 31, 2017:

EVERCORE INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	June 30, 2018			
	Level I	Level II	Level III	Total
Corporate Bonds, Municipal Bonds and Other Debt Securities[1]	$108,539	$54,161	$ —	$162,700
Securities Investments[2]	6,681	1,356	—	8,037
Investment Funds	62,545	—	—	62,545
Financial Instruments Owned and Pledged as Collateral at Fair Value	18,761	—	—	18,761
Other	—	115	—	115
Total Assets Measured At Fair Value	$196,526	$55,632	$ —	$252,158

	December 31, 2017			
	Level I	Level II	Level III	Total
Corporate Bonds, Municipal Bonds and Other Debt Securities[1]	$—	$44,648	$ —	$44,648
Securities Investments[2]	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

(1) Includes $29,215 and $10,354 of treasury bills, municipal bonds and commercial paper classified within Cash and Cash Equivalents on the Unaudited Condensed Consolidated Statements of Financial Condition as of June 30, 2018 and December 31, 2017, respectively.

(2) Includes $4,138 and $3,092 of treasury bills and notes and municipal bonds classified within Cash and Cash Equivalents on the Unaudited Condensed Consolidated Statements of Financial Condition as of June 30, 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 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 for the six months ended June 30, 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.

Table of Contents

EVERCORE INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

		June 30, 2018			
	Carrying	Estimated Fair Value			
	Amount	Level I	Level II	Level III	Total
Financial Assets:					
Cash and Cash Equivalents	$370,576				