

Joint CEO's Address to 2020 Annual General Meeting

26 May 2020 – Mr. Julian Biggins and Mr. Chris Wyke, Joint Chief Executive Officers, Moelis Australia Limited

Dear Shareholder,

We would like to welcome fellow owners to our Annual General Meeting and thank you for your attendance today.

My name is Julian Biggins. Chris Wyke and I are Joint Chief Executive Officers of Moelis Australia.

Our Chairman, Jeffrey Browne, has already run through many of the Group's 2019 financial highlights and made comment on the overall strong position of the Company. Chris and I will focus on divisional performance, trading conditions and our outlook for financial year 2020 ("FY20").

First, we would like to thank Andrew Pridham for his contribution to Moelis Australia as Chief Executive Officer since our inception and the outstanding leadership role that he continues to make in his new role of Group Vice Chairman.

It has obviously been a very challenging environment for everyone since the onset of COVID-19. Our executive team has undertaken significant work backed by their extensive experience. This has made it possible to confirm that Moelis Australia is effectively navigating current market conditions. We believe that we are well positioned for future growth.

In our 10th year of operation, we achieved record Underlying financial¹ and operating results alongside a significant investment in people.

Highlights for financial year 2019 ("FY19") included:

- Assets Under Management ("AUM") up 32% to \$4.9 billion
- Asset Management contributed 77% of Underlying EBTIDA (pre-corporate overhead)
- Corporate Advisory generated revenue of \$1.2 million per executive noting ongoing investment in people led to an increase in average headcount of 12 during FY19
- Equities performed well and, in conjunction with Corporate Advisory, raised in excess of \$2.6 billion of new equity on behalf of clients including eight initial public offerings ("IPOs")

¹ Please refer to Moelis Australia Limited's 2019 Annual Report for a description of the Underlying financial measures

- Conservative capital management having maintained an average cash balance of \$110 million throughout FY19
- Buying back 8 million Moelis Australia securities, or approximately 5% of shares on issue, at \$3.40 per share
- Declaring a fully franked dividend of 10.0 cents per share (up 25% on FY18)

While achieving record FY19 Underlying results were very satisfying we are now acutely focused on financial year 2020 (“FY20”) and beyond where the political, social and economic environment has changed materially.

At the outset of COVID-19, our attention turned to the safety of our people, our clients and building an understanding of the impact that the virus would have on our business and the economy more generally.

From a health and well-being perspective, we continue to follow the Australian government’s health advice.

From a business perspective our primary focus continues, as always, on servicing our clients. In parallel with this we have employed significant focus on operating cashflow, managing costs, and ensuring our balance sheet remains strong. We are very pleased to report that our clients remain active, our corporate cashflows positive and our balance sheet strong.

Our senior executives quickly moved to implement a temporary reduction in fixed compensation across the business. This was a prudent action to take given the level of uncertainty ahead, notwithstanding our strong position, and provides a demonstration to shareholders that we are on this journey together.

We immediately stress tested our investments to identify how the new economic environment may result in pressure points and what potential scenarios could affect us immediately or in the future. While some asset classes within our portfolio have been materially impacted by COVID-19 we are comfortable that our assets are in stable financial positions today.

Our balance sheet has been deliberately positioned for market volatility for a couple of years which is proving very valuable now. With approximately \$134 million in cash^{2,3}, and accumulating, we feel very positive about having significant levels of capital to grow the business. We will look to deploy the capital into opportunities that we believe offer our shareholders attractive risk and return dynamics.

With most Moelis Australia employees holding substantial investment in Moelis Australia shares we have a strong alignment with our shareholders. What is important to you is important to us.

² At 30 April and includes \$12.9 million of cash received for MOE Bond IV which will be applied to the repayment of MOE Bond I

³ Cash is reduced to reflect the total economic exposure to Moelis Australia by removing the consolidation of a Moelis Australia managed credit fund

ASSET MANAGEMENT

Over FY19 we grew AUM by 32% to \$4.9 billion. For reference, at the time of the Company's IPO in April 2017 AUM was only \$1.1 billion.

We always stress that AUM is only one metric relevant to the performance of our Asset Management business. The performance of these assets, together with our EBITDA margins are also fundamental metrics we review constantly. Our strategy remains on scaling our primary investment strategies being real estate, hospitality and credit. By specialising in and scaling our investment strategies we can better aim to deliver consistent returns for both fund investors and Moelis Australia shareholders.

At the same time, we continue to increase the number of our institutional, high-net-worth ("HNW") and retail investor clients. In particular, HNW clients of Chinese origin continue to grow in number and importance. Diversity of clients strengthens our business in many ways.

China

In FY19 we continued to invest in growing our presence in China amongst HNW investors. We now have five executives across Shanghai, Beijing and Hong Kong which is a significant differentiator to the majority of our competitors who service the region from Australia.

Capital flows from Chinese HNW clients continue to build. Moelis Australia today manages approximately \$1.8 billion in assets on behalf these clients. This consists of both Significant Investor Visa ("SIV") and non-SIV investments. We are pleased with our ongoing success in attracting and retaining foreign investment capital.

Real Estate

During FY19 we grew our real estate AUM by over \$700 million. This growth was driven by our partnership with Singapore listed SPH REIT and its acquisition of a 50% interest in Westfield Marion Shopping Centre in Adelaide. This transaction represented our second transaction with SPH REIT over the last two years and we value the relationship greatly.

Clearly COVID-19 has had a significant impact on retail shopping centres. The near-term outlook for the retail shopping centres remains uncertain with both landlords and many discretionary retailers facing difficult conditions. We expect these conditions to remain for some time and our team is focused on managing the day to day outcomes for investors.

We maintain our expectation that there will be a prolonged period of low interest rates. This factor, coupled with a maturing population attracted to income generating investments, will support demand for real estate assets that offer defensive cash flows.

Hospitality

FY19 was a tale of two halves for our hospitality business.⁴ We experienced headwinds in the first half due to consumer confidence being impacted by both state and federal elections. In the second half, the operating performance of our hospitality venues improved materially and momentum was building into FY20.

In late December 2019, a single asset fund was established to acquire the iconic Beach Hotel in Byron Bay for approximately \$104 million. Bryon Bay is widely recognised as a premier destination and the Beach Hotel is an iconic venue located on a prime 4,000 sqm site opposite the main beach. The Byron Bay Beach Hotel Fund closed oversubscribed early in January 2020.

On 23 March 2020, all of Redcape's 32 hotel assets and the Beach Hotel were largely closed in accordance with the New South Wales and Queensland state governments COVID-19 trading restrictions. Since closure, management has been working closely with its employees, financiers and customers to ensure that the venues are ready to re-open when the restrictions are lifted.

As most of you know, the New South Wales government recently announced that hotel venues will be allowed to open on 1 June subject to certain conditions. This is very positive news for all involved in hospitality including the enormous number of people employed in the industry.

I will now hand over to Chris to talk through our credit initiatives in Asset Management, Corporate Advisory & Equities division, capital management and our outlook for FY20.

Credit

Our credit business was very active during FY19, growing AUM to approximately \$900 million (up 58% on FY18).

We increased our focus on credit asset management in FY18 as a result of our belief that market opportunities were conducive to us growing our business in this important sector. We are pleased to be delivering on this strategy and that our thesis has proved beneficial for our investors across our managed credit funds.

The Secured Loan Series Funds, which focus on real estate credit, grew to approximately \$250 million over FY19 and experienced continued investor and borrower demand, benefitting from the changing regulatory landscape which has seen the major Australian banks exit certain lending markets.

Throughout FY19 the Fixed Income Fund, which focuses on structured finance credit, continued its growth by expanding its lending activity to nine channel partners and closed the year with AUM of approximately \$110 million. The fund was only established in December 2018. The Fixed Income Fund delivered on its distribution

⁴ Relates to Moelis Australia's financial year which includes 12 months to 31 December. Redcape Hotel Groups financial year includes 12 months to 30 June

targets throughout FY19 and pleasingly the strategy has continued to perform well through the challenges of COVID-19.

Our partnership with a leading global financial institution to provide development construction finance saw continued deployment throughout FY19. We are pleased to report that this partnership completed its first project this month achieving a realised IRR of 13.8% which, as forecast, was an attractive return given the low risk associated with the project. Over the longer term we expect that real estate construction lending will be a significant business segment for Moelis Australia.

During FY19 we consolidated our position as the market leader in Australian legal disbursement funding. Our lending platform in this credit vertical today manages a loan portfolio secured by approximately 22,000 legal file receivables. This business continues to show strong growth and attractive returns. As previously stated, we continue to review the potential application of our disbursement funding expertise and technology in much larger markets outside of Australia.

In December 2019, after having hired a specialist credit team earlier in the year, we launched the Moelis Australia Private Credit Fund. This Fund is focused on lending to small and medium size enterprises. The private credit team has successfully sourced loans from businesses that have displayed strong earning profiles throughout the recent COVID-19 pandemic and is well positioned to grow into the evolving market.

This momentum in credit experienced in FY19 has continued into FY20 and our four credit teams have been active year to date. We are pleased that our strategy is delivering. The growth and performance of our three open funds provides a suite of options for our investors with varying return profiles to suit their investment needs.

CORPORATE ADVISORY & EQUITIES (“CA&E”)

Our Corporate Advisory & Equities division had a very solid FY19 generating approximately \$62 million in revenue. Corporate Advisory revenue per executive was \$1.2 million. This is within our target range of \$1.1 million – \$1.3 million per executive. This productivity was achieved alongside hiring two Managing Directors late in FY18 and an overall increased average headcount of 12 executives during FY19.

Pleasingly, CA&E assisted in raising over \$2.6 billion of new capital in FY19 on behalf of our clients including eight IPOs. This represented a significant increase on the prior year reflecting a strengthening of our small cap and technology expertise and a maturing of the business generally.

Equities commissions were relatively steady in FY19 compared to the prior year. The Equities division continues to be a fundamental part of our equity capital markets (“ECM”) offering and our research products are valuable to our corporate, institutional and HNW clients.

CAPITAL MANAGEMENT

As our Chairman mentioned in his introductory remarks, we currently have approximately \$134 million in cash in addition to over \$155 million in investments.^{5,6,7} We have been patient in deploying capital over the past few years due to our concern that we were late in the investment cycle. We were aware that this would impact earnings per share in the shorter term. However, it has provided us with significant strength during the pandemic and positions us well for the future.

We are carefully managing our borrowings and this month we announced the issuance of MOE Bond IV. We are pleased to report that the offer was oversubscribed and we intend to issue a total of \$40 million of MOE Bond IV notes with a 4-year term to maturity. The proceeds from MOE Bond IV will be used to repay our existing \$32.2 million note (MOE Bond I) which matures in September 2020, therefore materially extending the maturity profile of our borrowings. Given current market conditions, having availability of long-term financing on attractive terms will assist the company in pursuing value adding opportunities should they arise.

FY20 OUTLOOK

In relation to our FY20 outlook we are optimistic about the business.

In our Asset Management division we remain focused on executing our strategy of scaling our distribution channels and investment strategies. Due to COVID-19, we have made some prudent tactical adjustments and believe that we are well placed to continue growing the business organically and potentially through acquisition.

Asset Management related equity inflows financial year to date have been over \$200 million which is significantly up on the prior corresponding period in FY19.⁸ This reflects strong foreign investor activity and domestic demand for investment in credit funds. Net inflows are also up on the prior corresponding period with client outflows being relatively modest given market conditions. The majority of outflows have been from realised funds or from SIV clients who have achieved their residency objectives.

Our CA&E division has responded well to COVID-19 with executives pivoting their focus to the immediate opportunities in ECM and restructuring advisory mandates. The CA&E first half FY20 ("1H20") result is expected to be better than the prior year and the pipeline remains strong. However, it is too early to predict the conversion of our mandated pipeline and what the second half productivity will ultimately be.

⁵ At 30 April with all listed investments (including Redcape Hotel Group) held at their close price on the ASX at 12 May 2020

⁶ Includes \$12.9 million of cash received for MOE Bond IV which will be applied to the repayment of MOE Bond I

⁷ The balance sheet has been adjusted to reflect the total economic exposure to Moelis Australia (predominately removing the consolidation of a Moelis Australia managed credit fund)

⁸ At 30 April 2020

1H20 GUIDANCE

We expect to achieve a 1H20 Underlying EBITDA similar to 1H19, excluding the impact of any mark-to-market adjustments in either period. In 1H19 Moelis Australia reported Underlying EBITDA of \$26.7 million which included \$3.7 million⁹ of net mark-to-market movements.

Given market volatility and the uncertain economic conditions we expect to record some negative mark-to-market movements in investments in 1H20. These potential movements relate to both listed investments and unlisted investments. Given that the review process is ongoing and market conditions remain volatile it is not possible to provide firm guidance at this point. However, any adjustments are not expected to be material relative to the Group's asset base.

SUMMARY

We wish to again thank our clients and shareholders for the ongoing support and the confidence shown in our Board and management. Alignment between all stakeholders is a core belief and influences everything we do.

In our 11th year of operation we are very proud of our Company and the culture we have built. The past three months have required tremendous efforts from our staff to ensure that our business remains best positioned to deliver on our objective of building a company that rewards shareholders by growing profits sustainably. We would like to thank our staff and their families for their ongoing commitment.

Yours faithfully



Chris Wyke



Julian Biggins

Joint Chief Executive Officers

ENDS

⁹ Includes positive mark-to-market movements and realisations of \$5.2 million and a negative provision to a loan asset of \$1.5 million



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Authorised for release by the Board of Directors, Moelis Australia Limited.

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