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PERELLA WEINBERG PARTNERS

Perella Weinberg Partners
Q3 2021 Earnings Call Transcript - November 4, 2021

Operator:

Good morning, and welcome to the Perella Weinberg Partners Third Quarter 2021 Earnings Conference Call. During today's discussion all callers will be placed in listen-only mode and following management's prepared remarks, the conference call will be open for questions from the research community. This conference call is being recorded.

At this time, I'd like to turn the conference over to Taylor Reinhardt, Head of Investor Relations. Please go ahead.

Taylor Reinhardt, *Head of Investor Relations*:

Thank you, Operator, and welcome to our Third Quarter 2021 Earnings Call. Joining me today are Peter Weinberg, Chief Executive Officer; and Gary Barancik, Chief Financial Officer.

A replay of this call will be available through the investors' page of the company's website - approximately two hours following the conclusion of this live broadcast through November 18, 2021.

For those who listen to the rebroadcast of this presentation, we remind you that the remarks made herein are as of today, November 4, 2021 and have not been updated subsequent to the initial earnings call.

Before we begin, I'd like to note that this call may contain forward-looking statements, including PWP's expectations of future financial and business performance and conditions and industry outlook. Forward-looking statements are inherently subject to risks, uncertainties, and assumptions that could cause actual results to differ materially from those discussed in the forward-looking statements, and are not guarantees of future events or performance. Please refer to PWP's most recent SEC filings for a discussion of certain of these risks and uncertainties. The forward-looking statements are based on our current beliefs and expectations and the firm undertakes no obligation to update any forward-looking statements.

During the call, there will also be a discussion of some metrics which are non-GAAP financial measures which management believes are relevant in assessing the financial performance of the business. PWP has reconciled these items to the most comparable GAAP measures in the press release filed with today's Form 8-K which can be found on the company's website.

I will now turn the call over to Peter Weinberg to discuss our results.

Peter Weinberg, *Chief Executive Officer*:

Thank you, Taylor.

Good morning and thank you all for joining us for our third quarter 2021 earnings call.

Before I get into our results, I would like to share a few overall observations that set the tone for our quarter.

First of all, our markets continue to be as active as I've ever seen them. The activity is sourced by continued macroeconomic and structural factors, the increasing attraction of the independent advisory model to clients and what we are calling a "liquidity super-cycle" — the enormous amounts of capital across our financial system that will support the velocity of activity for some time.

Second, Perella Weinberg Partners is a growth company. We see very clear opportunities to grow the size and scope of the firm into industry sub sectors and products in which we do not now participate; and both clients and talented professionals around the world are embracing our platform as a place to hire and work, respectively.

Third, as of this past Monday, our firm is "back to the office." And while our team performed extremely well together remotely, achieving record results for the firm, we will certainly benefit from more in person interaction amongst our people. The office will be the center of our work life, while allowing more flexibility to our people than pre-pandemic.

Now on to our financial performance. I am pleased to report that our firm recorded revenues for the quarter of $177 million and revenues for the nine months ending September 30 of $603 million, a 44% increase and an 83% increase vs the respective prior periods in 2020. Both of these revenue amounts were records for their respective periods.

Commensurate with the market, we saw healthy M&A and financing advice fee realizations across our platform driven by very active levels of strategic dialogue and transaction flow, while fees from restructuring and liability management contracted to pre-pandemic levels.

Diving a bit deeper on our M&A activity, we experienced strong results across our industry coverage universe with particularly robust activity in the healthcare, energy and industrials sectors. The activity was driven by an array of clients, spanning from large cap corporates to mid-cap emerging growth companies, and was reflective of a balance of both buy and sell side transactions.

These drivers of activity are in line with what we are seeing in the market, where large cap companies are both considering how to be proactive coming out of the crisis and evaluating how they might use M&A to anticipate or respond to changes in their end markets, notably by investing in growth and technology transformation. Separately, emerging companies are seeking to grow their scale, raise capital, or are grappling with interest from larger companies. Furthermore, private and public financing markets are robust, and the private equity community has experienced record activity, showing again its importance to the strategic landscape across every sector.

Activity in the restructuring and liability management market continues but has dropped significantly relative to the peak levels seen in 2020. The activity has been tempered by low interest rates, the wide availability of capital and the impact of government stimulus. It is possible that we will continue to see such dynamics through the medium term until some technical factors begin to turn.

Despite the decline in restructuring and liability management activity both across the market and on our platform, we continue to believe that liability management services will contribute meaningfully to our business over the long-term, largely driven by the cyclicality of the market and expanded balance sheets resulting from the pandemic. Our restructuring and liability management pipeline for 2022 is healthy.

From a geographic perspective, we generated record results in our European business for the first nine months of 2021. While we do not look at our business on a regional basis, we believe our significant presence and attractive branding position in Europe differentiates us when compared to advisory peers and our strong performance is commensurate with that differentiation. We are well-positioned to take advantage of the recent acceleration of activity in that region and we continue to invest behind the business to support future growth.

Although third quarter revenues did not reach the record levels of the second quarter, where we experienced an unusually high level of completions and fee realizations by historic standards, we nonetheless saw a continued heightened level of strategic dialogue and transaction flow. While we recognize that revenue results can fluctuate quarter over quarter and that numerous macroeconomic factors could affect the trajectory of the currently favorable M&A and financing environment, we have yet to see any sign of a slowdown in dialogue with our clients. Across market participants, activity is healthy, and the overall mindset of business leaders is quite positive. Our backlog at the end of Q3 remained extremely strong and was close to an all-time high.

We continue to add talent at all levels to support our strategic growth. As of September 30, we had 58 advisory partners, and year-to-date we have added nine partners. This figure does not reflect an additional partner who has agreed to join the firm in 2021, and our recruiting pipeline remains strong.

Our ten new partners, including 3 internal promotes, bring significant expertise in Tech and Fintech broadly, as well as Financial Institutions, Industrials and Healthcare both in the U.S. and Europe. We are focused on further strengthening our partner base with individuals who will help expand our coverage and expertise from a sector, product and geography standpoint as well as those who we deem collaborative and franchise-enhancing.

In a busy environment, the market for talent is certainly more challenging. We are confident that our platform and collaborative culture along with being a growth company with momentum will continue to attract exceptional professionals. We are encouraged by the level of interest that we are seeing and feel confident in our ability to successfully attract individuals who fit our strategic needs and our culture.

To wrap up, we feel very good about the momentum we continued to experience in the third quarter. We are well-positioned to take advantage of the currently favorable environment and we will continue to invest behind our simple, clear, client centric model to support future growth opportunities. We remain committed to providing trusted and high quality strategic and financial advice to our clients and delivering long-term value to shareholders

On that note, Gary, I will turn it over to you.

Gary Barancik, *Chief Financial Officer*:

Thank you, Peter.

As Peter mentioned, we generated $177 million dollars of revenues for the third quarter, an increase of 44% over the prior-year period. Our revenues for the nine months ended September 30 were $603 million, an increase of 83% from the prior year.

We continue to see high levels of activity across our business, which translated into strong, diversified, revenue results for both the three month and nine-month periods. The increase in revenues can be attributed to both an increase in the number of advisory transaction completions and the average fee size per client, particularly in mergers and acquisitions advice, as compared to the prior year periods. The increase in third quarter 2021 M&A and financial advisory revenue was partially offset by a reduction in restructuring and liability management fees as compared to the prior year.

On the expense side, in the third quarter, we accrued adjusted compensation expense at 64% of revenues, in-line with our previously communicated medium-term guidance. This is 500 basis points lower than our adjusted comp ratio for the third quarter of 2020 when we operated as a private partnership.

Our adjusted non-compensation expense for the third quarter was $33.1 million, compared with $28.8 million for the same period a year ago. As a percentage of revenues, our adjusted non-compensation expense was 19% for the third quarter, down from 23% in the same period last year.

The overall dollar increase in non-compensation expenses on an adjusted basis was primarily driven by an increase in professional fees related to consulting and recruiting, increased public company costs including D&O insurance, and a modest increase in travel and related expenses as pandemic-related travel restrictions ease.

As discussed on our last earnings call and as seen in our Q3 results, we expect that adjusted non-compensation expense for the second half of 2021 will be at a higher level than the first half of the year. For the second half of 2021, we expect that our adjusted non-compensation expenses are likely to be approximately 25 to 30 percent higher than the $54.5 million dollars recorded in the first half of the year. This is due to several factors including increased public company costs including D&O insurance and temporarily higher legal and tax professional fees to support our transition to a public company, timing relating to certain IT projects and professional development expenses as well as some modest assumed increase in travel.

As we look beyond 2021, I want to call two other non-compensation items to your attention.

First, 2020 and 2021 year-to-date adjusted non-compensation expense benefited from low levels of travel and entertainment expenses due to the effects of the pandemic. We have begun to see a modest increase in business travel and expect that this trend will continue. While we expect that the experience during the pandemic will allow us to continue to conduct much of our business remotely or virtually, we are a client-focused business and anticipate that business travel will again be a meaningful portion of our non-compensation spend, albeit not quite at the levels per banker that we saw in 2019 and earlier.

Second, our leases for our London and New York headquarters expire in December 2022 and September 2023, respectively, and given our significant projected growth, we anticipate expanding our square footage meaningfully in both locations. Although we expect that free rent and tenant improvement allowances will mitigate capital expenditure requirements, for GAAP accounting purposes we expect some period of (non-cash) overlap between lease expense recorded on our existing and new leases. Although we are not able to quantify these amounts at the current time, we will provide an update on a subsequent earnings call.

We are excited to have the opportunity to reimagine how we work and collaborate in a new work environment and we feel fortunate that due to the timing of our lease expirations, we are able to do so in the near-future with our two largest offices. Technology has become a much more important component of how we interact with our colleagues and our clients and designing our space in the post-pandemic environment will allow us to create efficient, effective and highly productive workspaces.

Adjusted net income totaled $29 million dollars for the third quarter and $122 million dollars for the nine months ended September 30, 2021. Our adjusted if-converted net income for the third quarter was $24 million dollars and presents our results as if all partnership units had converted to shares of Common Stock. Adjusted diluted, if-converted, net income per Class A share was twenty-six cents for the three months ended September 30, 2021.

And finally, turning to the balance sheet, as of September 30, 2021 we had $415.8 million dollars of cash and cash equivalents, no debt and an undrawn revolving credit facility.

The Board has declared a Class A Common Stock dividend of seven cents payable on December 17, 2021 to holders of record as of December 3, 2021. Over time, we expect to return excess cash flow to shareholders through a combination of share repurchases, to moderate dilution, and dividends.

With that, we'll now turn the call back to the operator to open the line for questions. Operator?

Operator:

Thank you. [Operator Instructions]. Your first question comes from the line of Devin Ryan from JMP Securities. Your line is now open.

Devin Ryan, *JMP Securities*:

Hey, great. Good morning, Peter and Gary. First question here, I just want to talk a bit about the recruiting outlook. Obviously, I think you mentioned it was competitive but you've got some idiosyncratic tailwinds and there's a lot of white space for the firm right now. And I know the kind of the rough target is to add five external partners a year. You're already at seven for this year. How are you thinking about that five number going forward, just kind of whip across currents that you mentioned?

Do you think you may be able to do a little bit, better than that over the intermediate term, like you're doing in 2021 and then Peter, you also mentioned some, I guess, products and industries you're not in today. What are the priorities or what are maybe some of the near-term areas that you may enter through recruiting?

Peter Weinberg, *Chief Executive Officer*:

Good morning, Devin. We hired seven partners from outside the firm last year, or this year, across product areas, regions and industry groups. And as you suggest, it's competitive to get the best people. The reason that we were able to hire that specific group of people is because of business fit, because of culture, and because of fair compensation, meaning that it was fair to the partner to cover foregone equity and compensation, but also attractive for the firm.

We believe that our competitive advantage really with respect to hiring partners is that they can come to our platform and create more value on it than their incumbent firm. And we feel very positive about the prospects of hiring partners at that rate going forward.

With respect to your comment on product areas indeed or the future hires, and what the areas will be, we have a very clear view on exactly who we want to hire for what positions. For each position, we know the people in the market and we know people internally who could potentially sit in those partners seats.

While we don't disclose that going forward, the best indication of that is the people that we hired this year, we hired people in technology, 40% of our people that we elevated to partner in this last year were in technology and financial technology and also in healthcare, industrials, and in both in the U.S. and Europe.

Devin Ryan, *JMP Securities*:

Okay. Terrific. I want to touch on Europe a bit here, I know you're having a record year there to-date. European M&A broadly is recovering but is still well below kind of historical peaks if you go back over a decade to 2007 or so in that prior cycle. With the recovery that we're seeing in Europe, how do you think about maybe the productivity upside from here, you're having a lot of success, but is there a lot more upside to banker productivity or how would you frame kind of where we are in the European recovery from the Perella perspective?

Peter Weinberg, *Chief Executive Officer*:

I always start a conversation about Europe with the reference to the fact that we started in Europe 15 years ago, at the same time that we started in the U.S. because that's an important framework in which to evaluate the firm over there. As I said earlier, and as you referenced we had a record year in Europe, but it's important to mention that this record applies also to productivity of the partners in Europe, matching USA metrics.

We're serving our clients from our three bases in Europe, London, Paris and Munich. Half of our partners that we hired this year, or elevated, are resident in Europe. And the forces really creating activity in Europe are very similar to those in the U.S. in terms of the liquidity available, in terms of the overall environment for mergers, and we're very optimistic about the business going forward.

Devin Ryan, *JMP Securities*:

Okay, great. If I could just squeeze one more in for Gary, a question that we get from our clients just around your quantification of excess capital, clearly your firm is capital light and building capital. How would you guys kind of recommend us looking at that at, quantification of that? And then capacity for potential buybacks and how you guys are thinking about the opportunity there as well?

Gary Barancik, *Chief Financial Officer*:

Yeah, thanks Devin. Look, I think that the messaging we gave in the past is still very much the case. We'll be looking at a mix of both repurchases, potentially specials as well as our ordinary dividends as a means of returning capital. I think on the one hand, we probably have a bias towards excess cash free purchases because we do want to moderate the impact of dilution from share-based comp, but also our Up-C structure, as you know can create a bias for need for occasional specials to balance out the cash between the cash that's held at the public company.

So, it'll be mix. We're not anticipating any specials or repurchases for the balance of this quarter. But it is something we expect to turn to in the new year.

Devin Ryan, *JMP Securities*:

Okay, great. Thanks for the color. I will leave it there. Thank you guys.

Gary Barancik, *Chief Financial Officer*:

Thank you.

Operator:

Your next question comes from the line of Richard Ramsden from Goldman Sachs. Your line is now open.

Richard Ramsden, *Goldman Sachs:*

Okay, good morning, Peter and Gary. So, I wanted to ask a question on financial sponsors versus corporate activity and I know there's a continuum between serving corporates and financial sponsors. But, if you take a step back and think about the contribution from financial sponsors to your franchise this year, would you consider it to be disproportionate relative to history? And perhaps you can touch on the sustainability and the risks that you see to the run rate in the sponsor business as we head into 2022. Thanks.

Peter Weinberg, *Chief Executive Officer*:

Sure, good morning, Richard. A number of the sell-side analysts on the phone had referenced a Dealogic calculation that said that 49% of our business touched financial sponsors, and we don't really look at it that way for reasons I'll explain in a second, but that number didn't shock me at all.

Our coverage of sponsors is ubiquitous, every partner, industry coverage partners, product partners, and regional partners have engagement with sponsors directly. That's what sponsors want and that's what we provide.

I will say that sponsors are attracted to our deep relationships with large corporates around the world and when appropriate we make those connections and that's how we think about the sponsor business, it is very much an integral part of our entire firm.

Richard Ramsden, *Goldman Sachs:*

Okay, that's helpful. And then just more broadly. Can you just spend a couple of minutes Peter on what you think, the biggest risks are to the run rate of activity? So, obviously interest rates, higher inflation, the robust antitrust enforcement that we're seeing, what type of impact do you think that will have on the environment as we head into next year?

And I'm also curious on the micro side. Are you seeing any issues around lawyers and accountants hitting capacity constraints which is turning out the time it takes to get a deal closed? Thanks a lot.

Peter Weinberg, *Chief Executive Officer*:

Sure. On the macro side there are always clouds on any horizon and as you correctly state, we have no shortage of clouds today, all of the points that you mentioned, inflation, interest rates, certainly supply chain, labor shortages, tax policy, antitrust, et cetera. I would say that large multinational companies that we work with, and I think others, have shown that they have been very adaptive and resilient through many market dislocations over the past 5, 10, 15 years, and more so today than they ever have been.

So they're not wishing these risks away, but they include these risks and accommodate them in terms of how they think about corporate strategy and M&A. The one caveat, I would make on the macro side is that companies and markets don't react well to shocks or spikes or significant changes versus market expectations as you all know. And so I think a very significant and sudden change in inflationary expectations, a very significant or sudden change in interest rates, I think would dislocate, the markets and would also slow activity. I don't think that's likely but that's my view on how that might happen.

With respect to micro, it's a very busy market and the whole ecosystem of the transactional world is very busy, but we have not felt any restraint or problem or unnecessary delays as it relates to, working with lawyers and others across the system.

Richard Ramsden, *Goldman Sachs:*

Okay, that's very helpful. Thanks a lot.

Operator:

Your next question comes from the line of Steven Chubak from Wolfe Research. Your line is now open.

Steven Chubak, *Wolfe Research*:

Good Morning, Peter. Good morning, Gary. So, first off, I wanted to start just a question on some of the commentary relating to the backlog. You noted that the backlog is near record levels as of the end of 3Q. I was hoping you could just speak given your – the hiring that you've done this year, I mean granted they won't necessarily be operating at full run rate productivity by 2022. What is your confidence level, about your ability to grow revenues, recognizing there are some clouds still looming overhead but the fundamentals could not be stronger just for the M&A space broadly and as you noted earlier Peter, that the dialogue remains incredibly active with both strategics and sponsors?

Peter Weinberg, *Chief Executive Officer*:

Good morning, Steven. We are indeed very committed to growth as I mentioned earlier and as you correctly state, the reason for that is that our roadmap for growth is so clear. We have clear line of sight to the different areas of the business in which we want to grow. I'll also add that we only have 60 -- approximately 60 partners and don't feel a constraint in terms of hiring or on the clients that we work with and seek to work with.

And so I think that the backdrop is compelling in that regard. We do have approximately a quarter of our partners who have been at the firm for less than three years. And so those partners are gaining in productivity and will continue to have that dynamic as we hire people going forward.

Steven Chubak, *Wolfe Research*:

Okay. That's great color Peter. And maybe just a couple of clean up questions for Gary, just first on some of the non-commentary, thinking about the trajectory heading into next year, you spoke about T&E normalization being a potential headwind, certainly not exclusive to you guys, but I was hoping you could just help frame or quantify the dollar expense associated with the cost of going public just so we can try to think through appropriately some of the puts and takes as we think about the growth trajectory in non-comps for next year.

Gary Barancik, *Chief Financial Officer*:

Yeah, I think -- well I'm not going to be able to get too specific for you, Steven, but I'm just too kind of point to a few of the larger ones, just to kind of give a sense of where they are. Largely, I flagged D&O before, that's an expense, that is not only just because we're a public company but because we went public through a transaction, is elevated for us relative to our peers and probably will remain so, for a few years and that's a pretty big component of it.

The other ones referenced -- some are sort of run rate public company costs that, we just have additional folks in financial reporting for example, and additional audit and tax fees and things like that, which is more ordinary course, but as a comparison to prior periods, it is somewhat elevated. And then there are also some, what I'll reference as shorter-term call it in the six months to nine months from the date of the business combination, items around legal, and tax relating to just us needing some additional support from outside advisors relating to various, some of the capital markets transactions, some of the our -- first couple of Qs and so forth and those are really the main types of things.

Steven Chubak, *Wolfe Research*:

Understood. And just a final cleanup, just that I was hoping for an update, Gary on the lockups, when they're set to expire and maybe you could just speak to the comments around the buyback. Why not look to get a little bit more aggressive here given the constructive commentary that was cited on the call with regards to the outlook and the strength of your excess liquidity position as you noted in one of the earlier remarks?

Gary Barancik, *Chief Financial Officer*:

I'll take the first part of your question on buybacks, excuse me, on, on the lockups. So, there is really kind of two groupings of those to speak to one are sponsor shares which are subject to either a straight six month lock up from the time of the transaction or in some case there are also stock price targets. And so the six-month anniversary coming up in late December, some of those will be released in addition, we have partnership units which will be released from lockup relating to our legacy partners, not working partners, but just our legacy partners and to certain founding investors. And the combination of that too that would be potentially available either for exchange or for sale at that anniversary would be on the order of 14 million or 15 million shares or so. That's sort of the ballpark. That's kind of a six-month frame and really the next milestone aside for meeting certain price targets would be at the one-year anniversary where there's some additional units that come up.

On your question on buybacks. It is absolutely something that again subject to our board's approval, we would be very focused on into next year. We're not doing it this quarter just in part because we still have frankly just a lot of moving pieces, we'll be getting through our first year as a public company with compensation. We have the overlay of the special versus repurchase mix given the need for tax distributions, and we just want to be very prudent in how we manage that. And so that's why I'm saying it's something that we expect to turn to next year as opposed to this quarter.

Steven Chubak, *Wolfe Research*:

Helpful color. Thanks so much for taking my questions.

Gary Barancik, *Chief Financial Officer*:

Thank you.

Operator:

Your next question comes from the line of Michael Brown from KBW. Your line is now open.

Michael Brown, *KBW*:

Great, thank you. Hey, Peter, Gary, how are you guys?

Peter Weinberg, *Chief Executive Officer*:

Good Mike, thanks.

Gary Barancik, *Chief Financial Officer*:

Good morning.

Michael Brown, *KBW*:

So yeah, I just wanted to follow up on the comments on the energy space. Obviously, that part of the market has been very strong, your Tudor, Pickering, Holt business is really well positioned for that. So, could you just talk a little bit more about the outlook for that segment of the M&A market? And is it fair to assume that activity could accelerate from here just given the high oil and energy prices, broadly?

Peter Weinberg, *Chief Executive Officer*:

Sure, Mike with respect to our energy business, very much the focus of that business right now is energy, transition, energy technology, and sustainability. And while hydrocarbons are not going away tomorrow, and of course, it's an enormous industry around the world, these are the themes that are very prominent in our client discussions. And I would say that those extend into each of the areas of the whole energy, ecosystem, including Upstream, Midstream, Downstream, and services companies.

Michael Brown, *KBW*:

Okay, great. And then just to maybe quick cleanups for Gary. So Gary, the tax rate that was used under the if-converted method was 31%, not sure if I missed it, but is that the right way to think about that going forward, is that the tax rate we should be using in our adjusted EPS forecast here?

Gary Barancik, *Chief Financial Officer*:

Yeah, Michael, that's really our best view right now for the year. I'm not in a position to sort of guide for the longer term in that but that is our best view for the current year, and it's a bit higher than anticipated because our revenues were higher than anticipated, which is leading to some higher compensation expense, some of which is limited in its deductibility for the tax laws.

I should also mention and this is probably an obvious point, that non-GAAP tax rate it is a somewhat theoretical construct for a number of reasons. We're obviously, not only trying to model it out on if-converted basis, we obviously are in a year where half the year we were a private company, but it also excludes the number of GAAP items, which at least in the current year are leading to a lot of deductions. And so the net of all that is for this year our expected cash tax rate, as you can see from our GAAP numbers is actually going to be far, far lower.

The 31% is reflective of the best we can do under the assumptions of non-GAAP, but I do want to point out that there is going to be that disconnect from cash taxes this year.

Michael Brown, *KBW*:

Okay. Yeah, understand those. Those are very complicated, puts and takes there, but appreciate the color. And then just maybe one last one, did the third quarter include any pull forward from the fourth quarter, just due to the revenue recognition accounting rules. And if so, can you quantify that?

Gary Barancik, *Chief Financial Officer*:

Sure. We had about $29 million dollars of pull-forward from two deals and that follows on from the second quarter, where there was $17 million from one transaction.

Michael Brown, *KBW*:

Okay, great. Very helpful. Thank you for taking my questions.

Gary Barancik, *Chief Financial Officer*:

Sure thing.

Operator:

Your next question comes from the line of Ken Worthington from JP Morgan. Your line is now open.

Ken Worthington, *JP Morgan*:

Hi, good morning. Just really one for me, as we think about liability management and traditional restructuring, you indicated in the prepared remarks that both were down for the quarter and this is sort of similar to the message we've heard from others on restructuring broadly. To what extent is liability management more resilient to good market conditions than is say traditional restructuring and what part of the economic cycle would that resiliency likely to be most apparent?

Peter Weinberg, *Chief Executive Officer*:

Good morning, Ken. Yeah, the capital markets advisory business within our firm is quite tied to the M&A business in the sense that it's part of the advice that we provide to clients. And so, I would say that and that's been very much the case this year, but it's also very much a part of our dialogue with companies who are in financial distress.

One of the things about our firm is that we don't manage the business by product area, but really more so by clients and client groups. And so it's quite seamless actually, the dialogue that a client would have with a restructuring person, who might have expertise in an area that would be relevant to them to a capital markets advisory person who would be closer to an actual transaction that may or may not be associated with a merger, and of course all of our industry bankers.

Ken Worthington, *JP Morgan*:

Great. Thank you very much.

Operator:

And now I would like to turn the call over to Taylor Reinhardt for closing remarks.

Taylor Reinhardt, *Head of Investor Relations*:

Great, thank you, Operator, and thank you, everyone for joining us. If you have any additional questions, please feel free to follow up with us.

Operator:

And ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.