

DIAMOND HILL INVESTMENT GROUP INC

Form 10-Q

April 30, 2014

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United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

Commission file number 000-24498

DIAMOND HILL INVESTMENT GROUP, INC.

(Exact name of registrant as specified in its charter)

Ohio

(State of

incorporation)

325 John H. McConnell Blvd, Suite 200, Columbus, Ohio 43215

(Address, including Zip Code, of principal executive offices)

(614) 255-3333

(Registrant's telephone number, including area code)

65-0190407

(I.R.S. Employer

Identification No.)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes: No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes: No:

The number of shares outstanding of the issuer's common stock, as of April 25, 2014, is 3,297,255 shares.

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PART I: FINANCIAL INFORMATION

ITEM 1: Consolidated Financial Statements

Diamond Hill Investment Group, Inc.

Consolidated Balance Sheets

	3/31/2014 (Unaudited)	12/31/2013
ASSETS		
Cash and cash equivalents	\$11,264,827	\$33,106,972
Investment portfolio	34,583,720	18,726,070
Accounts receivable	13,396,598	13,002,295
Prepaid expenses	1,472,954	1,489,713
Furniture and equipment, net of depreciation	945,394	964,943
Income tax receivable	3,425,688	—
Deferred taxes	5,626,716	8,063,425
Total assets	\$70,715,897	\$75,353,418
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	\$3,187,625	\$4,049,240
Accrued incentive compensation	6,100,000	19,606,881
Deferred compensation	5,206,252	1,287,745
Income taxes payable	—	5,466,562
Total liabilities	14,493,877	30,410,428
Commitments and contingencies	—	—
Shareholders' Equity		
Common stock, no par value 7,000,000 shares authorized; 3,296,297 issued and outstanding at March 31, 2014 (inclusive of 309,762 unvested shares); 3,257,247 issued and outstanding at December 31, 2013 (inclusive of 312,099 unvested shares);	79,163,115	72,642,933
Preferred stock, undesignated, 1,000,000 shares authorized and unissued	—	—
Deferred equity compensation	(12,388,310)	(11,397,560)
Accumulated deficit	(10,552,785)	(16,302,383)
Total shareholders' equity	56,222,020	44,942,990
Total liabilities and shareholders' equity	\$70,715,897	\$75,353,418
Book value per share	\$17.06	\$13.80

The accompanying notes are an integral part of these consolidated financial statements.

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Diamond Hill Investment Group, Inc.
Consolidated Statements of Income (unaudited)

	Three Months Ended March 31,	
	2014	2013
REVENUES:		
Investment advisory	\$19,910,807	\$15,853,994
Mutual fund administration, net	3,278,290	2,521,381
Total revenue	23,189,097	18,375,375
OPERATING EXPENSES:		
Compensation and related costs	11,871,954	9,513,412
General and administrative	1,581,356	1,392,468
Sales and marketing	491,882	434,287
Mutual fund administration	672,121	407,593
Total operating expenses	14,617,313	11,747,760
NET OPERATING INCOME	8,571,784	6,627,615
Investment income	516,529	1,824,659
INCOME BEFORE TAXES	9,088,313	8,452,274
Income tax provision	(3,338,715)	(3,121,541)
NET INCOME	\$5,749,598	\$5,330,733
Earnings per share		
Basic	\$1.82	\$1.67
Diluted	\$1.78	\$1.67
Weighted average shares outstanding		
Basic	3,165,940	3,197,476
Diluted	3,230,900	3,197,476

The accompanying notes are an integral part of these consolidated financial statements.

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Diamond Hill Investment Group, Inc.
 Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended	
	March 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$5,749,598	\$5,330,733
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation on furniture and equipment	76,105	80,199
Stock-based compensation	1,924,466	1,486,008
Increase in accounts receivable	(394,303)	(1,080,720)
Change in current income taxes	(8,725,576)	678,466
Change in deferred income taxes	2,436,709	313,075
Net investment gain		