

DIAMOND HILL INVESTMENT GROUP INC

Form 10-Q

April 27, 2016

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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, 2016

Commission file number 000-24498

DIAMOND HILL INVESTMENT GROUP, INC.

(Exact name of registrant as specified in its charter)

Ohio 65-0190407

(State of (I.R.S. Employer
incorporation) Identification No.)

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

(Address of principal executive offices) (Zip Code)

(614) 255-3333

(Registrant's telephone number, including area code)

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.

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Large accelerated filer Accelerated filer x

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: x

The number of shares outstanding of the issuer's common stock, as of April 27, 2016, is 3,410,224 shares.

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PART I: FINANCIAL INFORMATION

ITEM 1: Consolidated Financial Statements
Diamond Hill Investment Group, Inc.
Consolidated Balance Sheets

	3/31/2016 (Unaudited)	12/31/2015
ASSETS		
Cash and cash equivalents	\$49,337,654	\$57,474,777
Investment portfolio	56,189,839	52,490,820
Accounts receivable	16,714,045	18,579,302
Prepaid expenses	1,880,449	1,780,105
Property and equipment, net of depreciation	4,242,557	4,253,361
Income taxes receivable	5,692,919	1,402,137
Deferred taxes	9,361,285	9,206,079
Total assets	\$143,418,748	\$145,186,581
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	\$4,996,595	\$7,651,324
Accrued incentive compensation	4,627,000	21,984,500
Deferred compensation	12,520,233	10,236,743
Total liabilities	22,143,828	39,872,567
Redeemable noncontrolling interest	4,294,098	—
Shareholders' equity		
Common stock, no par value 7,000,000 shares authorized; 3,409,281 issued and outstanding at March 31, 2016 (inclusive of 218,823 unvested shares); 3,414,338 issued and outstanding at December 31, 2015 (inclusive of 310,356 unvested shares)	107,438,271	102,536,527
Preferred stock, undesignated, 1,000,000 shares authorized and unissued	—	—
Deferred equity compensation	(21,795,383)	(19,294,784)
Retained earnings	31,337,934	22,072,271
Total shareholders' equity	116,980,822	105,314,014
Total liabilities and shareholders' equity	\$143,418,748	\$145,186,581
Book value per share	\$34.31	\$30.84

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

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

	Three Months Ended March 31,	
	2016	2015
REVENUES:		
Investment advisory	\$26,686,785	\$25,400,536
Mutual fund administration, net	3,770,705	3,917,871
Total revenue	30,457,490	29,318,407
OPERATING EXPENSES:		
Compensation and related costs	12,398,708	12,784,781
General and administrative	2,485,161	1,993,547
Sales and marketing	993,122	609,700
Mutual fund administration	876,066	736,373
Total operating expenses	16,753,057	16,124,401
NET OPERATING INCOME	13,704,433	13,194,006
Investment income	747,222	1,344,683
INCOME BEFORE TAXES	14,451,655	14,538,689
Income tax expense	(5,171,776)	(5,026,067)
NET INCOME	9,279,879	9,512,622
Less: Net income attributable to redeemable noncontrolling interest	(14,216)	—
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$9,265,663	\$9,512,622
Earnings per share attributable to common shareholders		
Basic	\$2.73	\$2.96
Diluted	\$2.73	\$2.89
Weighted average shares outstanding		
Basic	3,388,743	3,218,154
Diluted	3,393,396	3,296,168

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

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Diamond Hill Investment Group, Inc.

Consolidated Statements of Shareholders' Equity and Redeemable Noncontrolling Interest (unaudited)

Shares Outstanding	Common Stock	Deferred Equity Compensation	Retained Earnings	Total
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