

DIAMOND HILL INVESTMENT GROUP INC  
Form 10-Q  
October 30, 2018  
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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 September 30, 2018  
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 every Interactive Data File required to be submitted 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 such files). Yes  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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Emerging growth company

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:

The number of shares outstanding of the issuer's common stock, as of October 30, 2018, is 3,511,541 shares.

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## PART I: FINANCIAL INFORMATION

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

	9/30/2018 (Unaudited)	12/31/2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 100,619,433	\$ 76,602,108
Investment portfolio	212,389,477	138,476,022
Accounts receivable	19,365,969	19,220,279
Prepaid expenses	2,305,652	2,073,343
Income taxes receivable	—	4,114,962
Property and equipment, net of depreciation	3,908,750	4,057,901
Deferred taxes	7,553,479	5,843,704
Total assets	\$ 346,142,760	\$ 250,388,319
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 13,654,401	\$ 11,890,403
Accrued incentive compensation	21,709,000	25,496,500
Deferred compensation	25,432,661	20,480,790
Income taxes payable	640,811	—
Total liabilities	61,436,873	57,867,693
Redeemable noncontrolling interest	60,714,693	20,076,806
<b>Permanent Shareholders' equity</b>		
Common stock, no par value 7,000,000 shares authorized; 3,534,148 issued and outstanding at September 30, 2018 (inclusive of 207,500 unvested shares); 3,470,428 issued and outstanding at December 31, 2017 (inclusive of 191,900 unvested shares)	130,555,846	118,209,111
Preferred stock, undesignated, 1,000,000 shares authorized and unissued	—	—
Deferred equity compensation	(22,502,206 )	(19,134,963 )
Retained earnings	115,937,554	73,369,672
Total permanent shareholders' equity	223,991,194	172,443,820
Total liabilities and shareholders' equity	\$ 346,142,760	\$ 250,388,319
Book value per share	\$ 63.38	\$ 49.69

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

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Consolidated Statements of Income (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>REVENUES:</b>				
Investment advisory	\$ 34,928,205	\$ 33,782,603	\$ 103,085,767	\$ 98,105,905
Mutual fund administration, net	2,543,442	2,989,026	8,095,596	9,247,339
Total revenue	37,471,647	36,771,629	111,181,363	107,353,244
<b>OPERATING EXPENSES:</b>				
Compensation and related costs	15,441,623	14,446,102	44,401,217	42,438,985
General and administrative	2,962,220	3,088,000	8,748,419	9,556,585
Sales and marketing	1,281,856	1,230,306	3,793,382	3,612,877
Mutual fund administration	870,103	1,119,889	2,769,009	3,149,242
Total operating expenses	20,555,802	19,884,297	59,712,027	58,757,689
<b>NET OPERATING INCOME</b>	<b>16,915,845</b>	<b>16,887,332</b>	<b>51,469,336</b>	<b>48,595,555</b>
Investment income, net	5,210,332	2,767,747	7,216,278	9,673,720
<b>INCOME BEFORE TAXES</b>	<b>22,126,177</b>	<b>19,655,079</b>	<b>58,685,614</b>	<b>58,269,275</b>
Income tax expense	(5,726,807 )	(6,496,980 )	(14,446,092 )	(19,018,708 )