

GREENHILL & CO INC
Form 10-Q
October 31, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2013.

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number 001-32147

GREENHILL & CO., INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware 51-0500737
(State or Other Jurisdiction (I.R.S. Employer
of Incorporation or Organization) Identification No.)

300 Park Avenue 10022
New York, New York (ZIP Code)
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (212) 389-1500

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 (or for such shorter period that the registrant was required to file such reports), 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 (§232.405 of this chapter) 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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 30, 2013, there were 27,767,702 shares of the registrant's common stock outstanding.

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AVAILABLE INFORMATION

Greenhill & Co., Inc. files current, annual and quarterly reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with the United States Securities and Exchange Commission (the "SEC"). You may read and copy any document the company files at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The company's SEC filings are also available to the public from the SEC's internet site at <http://www.sec.gov>. Copies of these reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, U.S.A. Our public internet site is <http://www.greenhill.com>. We make available free of charge through our internet site, via a link to the SEC's internet site at <http://www.sec.gov>, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website in the "Corporate Governance" section, and available in print upon request of any stockholder to our Investor Relations Department, are charters for our Audit Committee, Compensation Committee and Nominating & Corporate Governance Committee, our Corporate Governance Guidelines, Related Party Transaction Policy and Code of Business Conduct & Ethics governing our directors, officers and employees. You may need to have Adobe Acrobat Reader software installed on your computer to view these documents, which are in PDF format.

Part I. Financial Information

Item 1. Financial Statements

Greenhill & Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Financial Condition

(in thousands except share and per share data)

	As of September 30, 2013 (unaudited)	December 31, 2012
Assets		
Cash and cash equivalents (\$5.2 million and \$7.1 million restricted from use at September 30, 2013 and December 31, 2012, respectively)	\$30,344	\$50,324
Advisory fees receivable, net of allowance for doubtful accounts of \$0.0 million at September 30, 2013 and December 31, 2012	64,645	54,444
Other receivables	4,341	1,554
Property and equipment, net of accumulated depreciation of \$56.2 million and \$54.8 million at September 30, 2013 and December 31, 2012, respectively	11,893	14,404
Other investments	11,012	34,215
Investments in merchant banking funds	11,285	16,772
Goodwill	149,112	164,890
Deferred tax asset, net	47,062	47,512
Other assets	2,982	2,855
Total assets	\$332,676	\$386,970
Liabilities and Equity		
Compensation payable	\$4,600	\$21,419
Accounts payable and accrued expenses	9,450	7,872
Bank loan payable	36,350	29,125
Current income taxes payable	11,921	15,797
Deferred tax liability	2,368	9,245
Total liabilities	64,689	83,458
Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 37,840,092 and 36,513,507 shares issued as of September 30, 2013 and December 31, 2012, respectively; 27,747,240 and 27,488,828 shares outstanding as of September 30, 2013 and December 31, 2012, respectively	378	365
Contingent convertible preferred stock, par value \$0.01 per share; 10,000,000 shares authorized and 1,099,877 shares issued as of September 30, 2013 and December 31, 2012 and 439,951 and 1,099,877 shares outstanding as of September 30, 2013 and December 31, 2012, respectively	14,446	46,950
Restricted stock units	106,565	107,253
Additional paid-in capital	532,503	458,642
Exchangeable shares of subsidiary; 257,156 shares issued as of September 30, 2013 and December 31, 2012, respectively; 32,804 shares outstanding as of September 30, 2013 and December 31, 2012, respectively	1,958	1,958
Retained earnings	150,231	159,918
Accumulated other comprehensive income (loss)	(4,789	) 6,624
Treasury stock, at cost, par value \$0.01 per share; 10,092,852 and 9,024,679 shares as of September 30, 2013 and December 31, 2012 respectively	(534,347) (479,551)
Stockholders' equity	266,945	302,159

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Noncontrolling interests	1,042	1,353
Total equity	267,987	303,512
Total liabilities and equity	\$332,676	\$386,970

See accompanying notes to condensed consolidated financial statements (unaudited).

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Greenhill & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Income (unaudited)
(in thousands except share and per share data)

	For the Three Months Ended, September 30,		For the Nine Months Ended, September 30,	
	2013	2012	2013	2012
Revenues				
Advisory revenues	\$46,983	\$72,757	\$211,496	\$191,160
Investment revenues	(2,440	) (10,010	) (672	) 1,594
Total revenues	44,543	62,747	210,824	192,754
Expenses				
Employee compensation and benefits	27,073	33,290	115,202	102,932
Occupancy and equipment rental	4,672	4,627	13,322	13,370
Depreciation and amortization	861	1,775	3,612	5,463
Information services	2,042	2,103	6,020	6,192
Professional fees	1,297	1,304	4,050	4,038
Travel related expenses	2,879	2,270	9,360	8,359
Interest expense	241	242	769	750
Other operating expenses	2,529	3,158	8,453	9,337
Total expenses	41,594	48,769	160,788	150,441
Income before taxes	2,949	13,978	50,036	42,313
Provision for taxes	1,152	5,389	19,134	15,348
Consolidated net income	1,797	8,589	30,902	26,965
Less: Net income allocated to noncontrolling interests	—	—	—	—
Net income allocated to common stockholders	\$1,797	\$8,589	\$30,902	\$26,965
Average shares outstanding:				
Basic	29,792,997	30,252,342	30,094,986	30,611,270
Diluted	29,805,553	30,260,808	30,122,352	30,618,837
Earnings per share:				
Basic	\$0.06	\$0.28	\$1.03	\$0.88
Diluted	\$0.06	\$0.28	\$1.03	\$0.88
Dividends declared and paid per share	\$0.45	\$0.45	\$1.35	\$1.35

See accompanying notes to condensed consolidated financial statements (unaudited).

Greenhill & Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Consolidated net income	\$1,797	\$8,589	\$30,902	\$26,965
Currency translation adjustment, net of tax	3,190	3,276	(11,413)	3,742
Comprehensive income	4,987	11,865	19,489	30,707
Less: Net income allocated to noncontrolling interests	—	—	—	—
Comprehensive income allocated to common stockholders	\$4,987	\$11,865	\$19,489	\$30,707

See accompanying notes to condensed consolidated financial statements (unaudited).

Greenhill & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Equity
(in thousands, except for per share data)

	Nine Months Ended September 30, 2013 (unaudited)	Year Ended December 31, 2012
Common stock, par value \$0.01 per share		
Common stock, beginning of the period	\$365	\$358
Common stock issued	13	7
Common stock, end of the period	378	365
Contingent convertible preferred stock, par value \$0.01 per share		
Contingent convertible preferred stock, beginning of the period	46,950	46,950
Contingent convertible preferred stock converted	(32,504) —
Contingent convertible preferred stock, end of the period	14,446	46,950
Restricted stock units		
Restricted stock units, beginning of the period	107,253	99,916
Restricted stock units recognized	42,916	54,178
Restricted stock units delivered	(43,604	) (46,841
Restricted stock units, end of the period	106,565	107,253
Additional paid-in capital		
Additional paid-in capital, beginning of the period	458,642	412,283
Common stock issued	75,716	51,306
Tax (expense) from the delivery of restricted stock units	(1,855	) (4,947
Additional paid-in capital, end of the period	532,503	458,642
Exchangeable shares of subsidiary		
Exchangeable shares of subsidiary, beginning of the period	1,958	6,578
Exchangeable shares of subsidiary delivered	—	(4,620
Exchangeable shares of subsidiary, end of the period	1,958	1,958
Retained earnings		
Retained earnings, beginning of the period	159,918	173,374
Dividends	(42,175	) (57,129
Tax benefit from payment of restricted stock unit dividends	1,586	1,581
Net income allocated to common stockholders	30,902	42,092
Retained earnings, end of the period	150,231	159,918
Accumulated other comprehensive income (loss)		
Accumulated other comprehensive income, beginning of the period	6,624	3,128
Currency translation adjustment, net of tax	(11,413	) 3,496
Accumulated other comprehensive income (loss), end of the period	(4,789	) 6,624
Treasury stock, at cost, par value \$0.01 per share		
Treasury stock, beginning of the period	(479,551	) (396,386
Repurchased	(54,796	) (83,165
Treasury stock, end of the period	(534,347	) (479,551
Total stockholders' equity	266,945	302,159
Noncontrolling interests		
Noncontrolling interests, beginning of the period	1,353	1,353
Net income allocated to noncontrolling interests	—	—

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Distributions to noncontrolling interests	(311) —
Noncontrolling interests, end of the period	1,042	1,353
Total equity	\$267,987	\$303,512

See accompanying notes to condensed consolidated financial statements (unaudited).

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Greenhill & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)
(in thousands)