

GREENHILL & CO INC
Form 10-Q
August 08, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 June 30, 2008

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
(State of Incorporation)

51-0500737
(I.R.S. Employer Identification No.)

300 Park Avenue, 23rd Floor
New York, New York
(Address of principal executive offices)

10022
(Zip Code)

Registrant's telephone number (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 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

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(Do not check if a smaller reporting company)

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

As of July 28, 2008, there were 26,663,088 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

Item No.	Page
 Part I. Financial Information	
1.	
Condensed Consolidated Financial Statements (unaudited)	
Condensed Consolidated Statements of Financial Condition as of June 30, 2008 (unaudited) and December 31, 2007	4
Condensed Consolidated Statements of Income for the three and six months ended June 30, 2008 and 2007 (unaudited)	5
Condensed Consolidated Statements of Changes in Stockholders' Equity for the six months ended June 30, 2008 (unaudited) and year ended December 31, 2007	6
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2008 and 2007 (unaudited)	7
Notes to Condensed Consolidated Financial Statements	8
2.	
Management's Discussion and Analysis of Financial Condition and Results of Operations	20
3.	
Quantitative and Qualitative Disclosures About Market Risk	32
4.	
Controls and Procedures	32
 Part II. Other Information	
1.	
Legal Proceedings	33
1A.	
Risk Factors	33
2.	
Unregistered Sales of Equity Securities and Use of Proceeds	33
3.	
Defaults Upon Senior Securities	33
4.	
Submission of Matters to a Vote of Security Holders	33
5.	
Other Information	33
6.	
Exhibits	33
Signatures	S-1

Exhibits

E-1

2

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 SEC. You may read and copy any document we file at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our 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 will 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 the Investor Relations Department, are charters for the company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, our Corporate Governance Guidelines and Code of Business Conduct and Ethics governing our directors, officers and employees. You will 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

	June 30, 2008 (unaudited)	As of December 31, 2007
Assets		
Cash and cash equivalents	\$ 80,150,794	\$ 191,670,516
Advisory fees receivable, net of allowance for doubtful accounts of \$0.4 million and \$0.4 million as of June 30, 2008 and December 31, 2007, respectively	23,964,161	26,753,578
Other receivables	2,607,062	2,485,594
Property and equipment, net of accumulated depreciation and amortization of \$33.8 million and \$31.5 million as of June 30, 2008 and December 31, 2007, respectively	13,799,305	14,527,341
Investments in affiliated merchant banking funds	137,704,224	89,425,693
Other investments	12,447,608	8,588,518
Due from affiliates	495,228	77,086
Goodwill	19,284,806	19,728,022
Deferred tax asset	20,636,654	20,636,654
Other assets	31,036	320,328
Total assets	\$ 311,120,878	\$ 374,213,330
Liabilities and Stockholders Equity		
Compensation payable	\$ 46,034,901	\$ 108,060,851
Accounts payable and accrued expenses	5,417,306	7,126,770
Bank loan payable	77,975,000	86,450,000
Taxes payable	16,099,442	25,731,177
Due to affiliates		1,445,044
Total liabilities	145,526,649	228,813,842
Minority interest in net assets of affiliates	2,383,388	2,253,128
Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 31,498,086 and 31,232,236 shares issued as of June 30, 2008 and December 31, 2007, respectively; 26,661,429 and 26,729,886 shares outstanding as of June 30, 2008 and December 31, 2007, respectively	314,981	312,322
Restricted stock units	45,474,743	42,743,802

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Additional paid-in capital	141,485,206	126,268,395
Exchangeable shares of subsidiary; 257,156 shares issued and outstanding as of June 30, 2008 and December 31, 2007, respectively	15,352,213	15,352,213
Retained earnings	212,522,532	190,416,057
Accumulated other comprehensive income	6,632,077	5,583,019
Treasury stock, at cost; par value \$0.01 per share; 4,836,657 and 4,502,350 shares as of June 30, 2008 and December 31, 2007, respectively	(258,570,911)	(237,529,448)
Stockholders' equity	163,210,841	143,146,360
Total liabilities, minority interest and stockholders' equity	\$ 311,120,878	\$ 374,213,330

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

Greenhill & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Income (unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Revenues				
Advisory fees	\$ 49,892,910	\$ 126,916,746	\$ 119,342,305	\$ 163,246,880
Merchant banking revenue	57,728,641	11,716,656	62,259,456	18,056,525
Interest income	1,048,124	1,960,373	2,448,299	2,768,371
Total revenues	108,669,675	140,593,775	184,050,060	184,071,776
Expenses				
Employee compensation and benefits	49,838,192	64,384,474	84,513,169	84,615,729
Occupancy and equipment rental	2,770,988	2,225,157	5,385,936	4,487,030
Depreciation and amortization	1,146,535	1,042,612	2,252,356	2,038,298
Information services	1,325,522	1,331,473	3,059,004	2,563,187
Professional fees	1,287,675	1,049,434	2,211,974	1,884,931
Travel related expenses	1,652,221	1,919,609	3,599,115	3,742,818
Interest expense	911,155	928,997	2,067,341	1,246,492
Other operating expenses	2,715,864	2,110,723	3,907,927	3,799,041
Total expenses	61,648,152	74,992,479	106,996,822	104,377,526
Income before taxes and minority interest	47,021,523	65,601,296	77,053,238	79,694,250
Minority interest in net income of affiliates	375,975	86,828	325,776	124,537
Income before taxes	46,645,548	65,514,468	76,727,462	79,569,713
Provision for taxes	17,727,176	22,786,272	28,596,829	28,121,602
Net income	\$ 28,918,372	\$ 42,728,196	\$ 48,130,633	\$ 51,448,111
Average common shares outstanding:				
Basic	27,848,736	28,970,657	27,903,707	29,201,696
Diluted	27,904,439	29,087,226	27,962,961	29,332,144
Earnings per share:				
Basic	\$ 1.04	\$ 1.47	\$ 1.72	\$ 1.76
Diluted	\$ 1.04	\$ 1.47	\$ 1.72	\$ 1.75
Dividends declared and paid per common share	\$ 0.45	\$ 0.25	\$ 0.90	\$ 0.50

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

Greenhill & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in
Stockholders Equity

	Six Months Ended June 30, 2008 (unaudited)	Year Ended December 31, 2007
Common stock, par value \$0.01 per share		
Common stock, beginning of the year	\$ 312,322	\$ 310,345
Common stock issued	2,659	1,977
Common stock, end of the period	314,981	312,322
Restricted stock units		
Restricted stock units, beginning of the year	42,743,802	21,205,268
Restricted stock units recognized	16,556,151	29,088,080
Restricted stock units delivered	(13,825,210)	(7,549,546)
Restricted stock units, end of the period	45,474,743	42,743,802
Additional paid-in capital		
Additional paid-in capital, beginning of the year	126,268,395	116,251,930
Common stock issued	14,001,215	7,852,109
Tax benefit from the delivery of restricted stock units	1,215,596	2,164,356
Additional paid-in capital, end of the period	141,485,206	126,268,395
Exchangeable shares of subsidiary		
Exchangeable shares of subsidiary, beginning of the year	15,352,213	15,352,213
Exchangeable shares of subsidiary issued		
Exchangeable shares of subsidiary, end of the period	15,352,213	15,352,213
Retained earnings		
Retained earnings, beginning of the year	190,416,057	112,052,519
Dividends	(26,024,158)	(36,912,734)
Net income	48,130,633	115,276,272
Retained earnings, end of the period	212,522,532	190,416,057
Accumulated other comprehensive income		
Accumulated other comprehensive income, beginning of the year	5,583,019	2,896,461
Currency translation adjustment	1,049,058	2,686,558
Accumulated other comprehensive income, end of the period	6,632,077	5,583,019

Treasury stock, at cost; par value \$0.01 per share

Treasury stock, beginning of the year	(237,529,448)	(112,507,426)
Repurchased	(21,041,463)	(125,022,022)
Treasury stock, end of the period	(258,570,911)	(237,529,448)
Total stockholders equity	\$ 163,210,841	\$ 143,146,360

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

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

	For the Six Months Ended	
	June 30,	
	2008	2007
Operating activities:		
Net income	\$ 48,130,633	\$ 51,448,111
Adjustments to reconcile net income to net cash used in (provided by) operating activities:		
Non-cash items included in net income:		
Depreciation and amortization	2,252,356	2,038,298
Net investment gains	(52,618,053)	(9,972,976)
Restricted stock units recognized and common stock issued	16,734,815	15,233,686
Changes in operating assets and liabilities:		
Advisory fees receivable	2,789,417	(30,444,535)
Due to (from) affiliates	(418,142)	(928,263)
Other receivables and assets	170,380	(877,379)
Compensation payable	(62,025,950)	(8,783,587)
Accounts payable and accrued expenses	(1,709,464)	(1,301,006)
Minority interest in net assets of affiliates	130,260	472,888
Taxes payable	(9,631,735)	(8,950,547)
Net cash used in (provided by) operating activities	(56,195,483)	7,934,690
Investing activities:		
Purchase of investments	(14,637,616)	(31,465,338)
Sale of investment	11,232,727	30,053,602
Distributions from investments	3,953,659	17,724,138
Purchase of securities		(5,000,000)
Sale or maturity of securities		43,753,193
Purchase of property and equipment	(1,368,889)	(2,954,507)
Net cash used in (provided by) investing activities	(820,119)	52,111,088