

HENNESSY ADVISORS INC

Form 10-Q

August 05, 2010

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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 June 30, 2010

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 000-49872

HENNESSY ADVISORS, INC.

(Exact name of registrant as specified in its charter)

California  
(State or other jurisdiction)

68-0176227  
(IRS Employer Identification No.)

of incorporation or organization)

7250 Redwood Blvd., Suite 200

Novato, California

94945

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(Address of principal

(Zip Code)

executive office)

(415) 899-1555

(Issuer's telephone number)

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.

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer

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 [X]

As of July 15, 2010 there were 5,799,907 shares of common stock issued and outstanding.

HENNESSY ADVISORS, INC.

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**Table of Contents****Hennessy Advisors, Inc.****Balance Sheets**

(In thousands, except share and per share amounts)

	June 30, 2010 (Unaudited)	September 30, 2009
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 5,947	\$ 5,747
Investments in marketable securities, at fair value	5	5
Investment fee income receivable	608	560
Prepaid expenses	85	665
Deferred income tax asset	155	241
Other current assets, net of accumulated amortization of \$96 and \$0, respectively	15	20
<b>Total current assets</b>	<b>6,815</b>	<b>7,238</b>
Property and equipment, net of accumulated depreciation of \$388 and \$366, respectively	190	222
Management contracts	22,279	22,220
Investment in the Hennessy Micro Cap Growth Fund, LLC, at fair value	339	366
Other assets, net of accumulated amortization of \$0 and \$84, respectively	36	53
<b>Total assets</b>	<b>\$ 29,659</b>	<b>\$ 30,099</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Current liabilities:</b>		
Accrued liabilities and accounts payable	\$ 726	\$ 1,394
Income taxes payable	42	-
Current portion of deferred rent	50	23
Bank loan	1,331	1,950
<b>Total current liabilities</b>	<b>2,149</b>	<b>3,367</b>
Long-term portion of deferred rent	37	4
Deferred income tax liability	3,075	2,607
<b>Total liabilities</b>	<b>5,261</b>	<b>5,978</b>
<b>Commitments and Contingencies (Note 9)</b>		
<b>Stockholders equity:</b>		
Adjustable rate preferred stock, \$25 stated value, 5,000,000 shares authorized: zero shares issued and outstanding	-	-
Common stock, no par value, 15,000,000 shares authorized: 5,799,907 shares issued and outstanding at June 30, 2010 and 5,754,419 at September 30, 2009	9,603	9,466
Accumulated other comprehensive loss	(173)	(146)
Retained earnings	14,968	14,801
<b>Total stockholders equity</b>	<b>24,398</b>	<b>24,121</b>

<b>Total liabilities and stockholders equity</b>	\$	29,659	\$	30,099
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See accompanying notes to unaudited condensed financial statements

**Table of Contents****Hennessy Advisors, Inc.****Statements of Operations****(In thousands, except share and per share amounts)****(Unaudited)**

	<b>Three Months ended June 30,</b>		<b>Nine Months ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Revenue</b>				
Investment advisory fees	\$ 1,755	\$ 1,382	\$ 5,233	\$ 3,666
Shareholder service fees	204	183	615	483
Other	5	3	15	11
<b>Total revenue</b>	<b>1,964</b>	<b>1,568</b>	<b>5,863</b>	<b>4,160</b>
<b>Operating expenses</b>				
Compensation and benefits	710	756	2,085	2,182
General and administrative	393	467	1,411	1,494
Mutual fund distribution	161	137	505	472
Sub-advisor fees	178	106	529	116
Amortization and depreciation	33	29	93	91
<b>Total operating expenses</b>	<b>1,475</b>	<b>1,495</b>	<b>4,623</b>	<b>4,355</b>
<b>Operating income (loss)</b>	<b>489</b>	<b>73</b>	<b>1,240</b>	<b>(195)</b>
Interest expense	8	13	27	75
Other expense (income), net	-	(7)	5	(31)
<b>Income (loss) before income tax expense</b>	<b>481</b>	<b>67</b>	<b>1,208</b>	<b>(239)</b>
<b>Income tax expense (benefit)</b>	<b>206</b>	<b>44</b>	<b>519</b>	<b>(55)</b>
<b>Net income (loss)</b>	<b>\$ 275</b>	<b>\$ 23</b>	<b>\$ 689</b>	<b>\$ (184)</b>
<b>Earnings (loss) per share:</b>				
Basic	\$ 0.05	\$ -	\$ 0.12	\$ (0.03)
Diluted	\$ 0.05	\$ -	\$ 0.12	\$ (0.03)
<b>Weighted average shares outstanding:</b>				
Basic	5,708,043	5,677,748	5,706,021	5,670,212
Diluted	5,722,016	5,677,748	5,718,728	5,670,212

See accompanying notes to unaudited condensed financial statements



**Table of Contents****Hennessy Advisors, Inc.****Statements of Changes in Stockholders' Equity****Nine Months Ended June 30, 2010****(In thousands, except share data)****(Unaudited)**

	Common Shares	Common Stock	Retained Earnings	Other Comprehensive Loss	Total Stockholders Equity
Balance at September 30, 2009	5,754,419	\$ 9,466	\$ 14,801	\$ (146)	\$ 24,121
Net Income	-	-	689	-	689
Dividends paid	-	-	(522)	-	(522)
Unrealized gain on investment in Hennessy Micro Cap Growth Fund, LLC	-	-	-	(27)	(27)
Employee and director restricted stock vested	53,512	-	-	-	-
Repurchase of vested employee restricted stock for tax withholding	(8,024)	(22)	-	-	(22)
Deferred restricted stock unit compensation	-	319	-	-	319
Tax effect of RSU vesting	-	(160)	-	-	(160)
Balance at June 30, 2010	5,799,907	\$ 9,603	\$ 14,968	\$ (173)	\$ 24,398

See accompanying notes to unaudited condensed financial statements



**Table of Contents****Hennessy Advisors, Inc.****Statements of Cash Flows****(Unaudited)****Nine Months Ended June 30,**

	<b>2010</b>	<b>2009</b>
	<b>(In thousands)</b>	
Cash flows from operating activities:		
Net income (loss)	\$ 689	\$ (184)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	93	91
Deferred income taxes	554	456
Tax effect from restricted stock unit vesting	(160)	(157)
Restricted stock units vested	(22)	(11)
Deferred restricted stock unit compensation	319	401
Unrealized loss on marketable securities	-	1
(Increase) decrease in operating assets:		
Investment fee income receivable	(48)	142
Prepaid expenses	580	(55)
Other current assets	(7)	10
Other assets	17	1
Increase (decrease) in operating liabilities:		
Accrued liabilities and accounts payable	(668)	(798)
Income taxes	42	-
Current portion of deferred rent	27	9
Long-term portion of deferred rent	33	(16)
Net cash provided by (used in) operating activities	1,449	(110)
Cash flows used in investing activities:		
Purchases of property and equipment	(49)	(19)
Payments related to acquisition of management contracts	(59)	(2,046)
Net cash used in investing activities	(108)	(2,065)
Cash flows used in financing activities:		
Principal payments on bank loan	(619)	(4,352)
Dividend payment	(522)	(517)
Net cash used in financing activities		