

HENNESSY ADVISORS INC

Form 10-Q

May 08, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2008

.. 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)

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California
(State or other jurisdiction of
incorporation or organization)

68-0176227
(IRS Employer
Identification No.)

7250 Redwood Blvd., Suite 200

Novato, California
(Address of principal executive office)

94945
(Zip Code)

(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 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

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 April 17, 2008 there were 5,718,036 shares of common stock issued and outstanding.

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

(In thousands, except share and per share amounts)

	March 31, 2008 (Unaudited)	September 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,250	\$ 13,760
Investments in marketable securities, at fair value	5	6
Investment fee income receivable	787	1,165
Prepaid expenses	436	165
Deferred income tax asset	234	303
Other current assets	10	15
Total current assets	13,722	15,414
Property and equipment, net of accumulated depreciation of \$231 and \$179	329	337
Management contracts, net of accumulated amortization of \$629	19,406	19,406
Non-compete agreement, net of accumulated amortization of \$1,481 and \$1,212	135	404
Investment in the Hennessy Micro Cap Growth Fund, LLC, at fair value	442	
Other assets	80	143
Total assets	\$ 34,114	\$ 35,704
Liabilities and Stockholders Equity		
Current liabilities:		
Accrued liabilities and accounts payable	\$ 759	\$ 2,019
Income taxes payable		68
Current portion of deferred rent		1
Current portion of long-term debt	2,091	2,091
Total current liabilities	2,850	4,179
Long-term debt	5,463	6,508
Long-term portion of deferred rent	36	35
Deferred income tax liability	1,794	1,627
Total liabilities	10,143	12,349
Commitments and Contingencies (Note 9)		
Stockholders equity:		
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: 5,718,036 shares issued and outstanding at March 31, 2008 and 5,702,493 at September 30, 2007	8,193	7,921
Additional paid-in capital	831	1,017
Other comprehensive loss	(70)	
Retained earnings	15,017	14,417

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Total stockholders' equity	23,971	23,355
Total liabilities and stockholders' equity	\$ 34,114	\$ 35,704

See accompanying notes to condensed financial statements

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

	Three Months ended March 31,		Six Months ended March 31,	
	2008	2007	2008	2007
Revenue				
Investment advisory fees	\$ 2,152	\$ 3,514	\$ 5,075	\$ 7,398
Shareholder service fees	295	448	691	946
Other	8	6	30	11
Total revenue	2,455	3,968	5,796	8,355
Operating expenses				
Compensation and benefits	688	876	1,488	1,770
General and administrative	450	428	1,047	900
Mutual fund distribution	444	769	1,054	1,636
Amortization and depreciation	165	163	329	326
Total operating expenses	1,747	2,236	3,918	4,632
Operating income	708	1,732	1,878	3,723
Interest expense	102	185	242	404
Other income	(108)	(118)	(252)	(235)
Income before income tax expense	714	1,665	1,888	3,554
Income tax expense	294	670	772	1,424
Net income	\$ 420	\$ 995	\$ 1,116	\$ 2,130
Earnings per share:				
Basic	\$ 0.08	\$ 0.18	\$ 0.20	\$ 0.38
Diluted	\$ 0.07	\$ 0.17	\$ 0.19	\$ 0.36
Weighted average shares outstanding:				
Basic	5,659,841	5,649,823	5,644,911	5,621,763
Diluted	5,701,678	6,019,956	5,868,322	5,962,250

See accompanying notes to condensed financial statements

Table of Contents**Hennessy Advisors, Inc.****Statement of Changes in Stockholders' Equity****Six Months Ended March 31, 2008****(In thousands, except share data)****(Unaudited)**

	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Loss	Total Stockholders Equity
Balance as of September 30, 2007	5,702,493	\$ 7,921	\$ 1,017	\$ 14,417	\$	\$ 23,355
Net income for six months ended March 31, 2008				1,116		1,116
Dividends paid				(515)		(515)
Employee restricted stock vested	25,856	368	(368)			
Repurchase of vested employee restricted stock for tax withholding	(10,313)	(96)		(1)		(97)
Employee and director restricted stock compensation			230			230
Unrealized loss on investment					(70)	(70)
Tax benefit of RSU vesting			(48)			(48)
Balance as of March 31, 2008	5,718,036	\$ 8,193	\$ 831	\$ 15,017	\$ (70)	\$ 23,971

See accompanying notes to condensed financial statements

Table of Contents**Hennessy Advisors, Inc.****Statements of Cash Flows****(Unaudited)**

	Six Months Ended March 31,	
	2008	2007
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 1,116	\$ 2,130
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	329	326
Deferred income taxes	236	33
Tax benefit from restricted stock unit vesting	(48)	116
Restricted stock units vested	(97)	(15)
Deferred restricted stock unit compensation	230	149
Unrealized (gain)/loss on marketable securities	1	(1)
(Increase) decrease in operating assets:		
Investment fee income receivable	378	84
Prepaid expenses	(271)	97
Other current assets	5	(14)
Other assets	55	(10)
Increase (decrease) in operating liabilities:		
Accrued liabilities and accounts payable	(1,260)	(874)
Income taxes payable	(68)	125
Current portion of deferred rent	(1)	