

# DIAMOND HILL

NEWS RELEASE

## DIAMOND HILL INVESTMENT GROUP, INC. REPORTS RESULTS FOR FIRST QUARTER 2022 AND DECLARES SECOND QUARTER DIVIDEND

4/26/2022

COLUMBUS, Ohio, April 26, 2022 /PRNewswire/ -- Diamond Hill Investment Group, Inc. (NASDAQ: DHIL) today reported unaudited financial results for the first quarter of 2022.

The following are selected highlights for the quarter ended March 31, 2022:

- Assets under management ("AUM") were \$30.3 billion compared to \$31.0 billion as of December 31, 2021, and \$30.6 billion as of March 31, 2021. The AUM as of March 31, 2021 included \$3.1 billion in AUM related to our high-yield focused advisory contracts which were sold in the third quarter of 2021.
- Average AUM was \$30.5 billion compared to \$28.2 billion for the first quarter of 2021.
- Net client inflows were \$237.0 million, compared to \$1.7 billion of net inflows for the first quarter of 2021.
- Revenue was \$42.3 million, compared to \$39.0 million for the first quarter of 2021.
- Operating profit margin was 45% compared to 35% for the first quarter of 2021. Operating profit margin, as adjusted,<sup>6</sup> was 42% compared to 43% for the first quarter of 2021.
- Investment loss was \$7.6 million compared to investment income of \$5.7 million for the first quarter of 2021.
- Net income attributable to common shareholders was \$9.1 million compared to \$13.7 million for the first quarter of 2021.
- Earnings per share attributable to common shareholders - diluted was \$2.87 compared to \$4.34 for the first quarter of 2021.
- The Company returned \$9.3 million to its shareholders via 50,104 shares repurchased during the quarter and \$4.8 million via a \$1.50 per share dividend during the quarter.

"The tumultuous market environment in Q1 was a reminder that great investment outcomes require a long-term discipline," said Heather Brilliant, president and CEO. "Our experienced team of professional investors continue to remain focused on finding opportunities in the volatility to invest in great businesses while navigating near-term challenges for clients."

## Dividends:

The Company announced today that its board of directors has approved the payment of a regular quarterly cash dividend of \$1.50 per share. The dividend will be paid on June 17, 2022, to its shareholders of record as of June 2, 2022.

## Selected Income Statement Data

(in thousands, except per share figures and percentages)

	Three Months Ended March 31,		% Change
	2022	2021	
Revenue	\$ 42,256	\$ 39,014	8%
Compensation and related costs, excluding deferred compensation expense (benefit)	18,647	16,815	11%
Deferred compensation expense (benefit)	(1,179)	3,103	NM
Other expenses	5,715	5,564	3%
Total operating expenses	23,183	25,482	(9)%
Net operating income	19,073	13,532	41%
Investment income (loss), net	(7,592)	5,663	NM
Net income before taxes	11,481	19,195	(40)%
Income tax expense	(3,206)	(4,933)	(35)%
Net income	8,275	14,262	(42)%
Net loss (income) attributable to redeemable noncontrolling interest	855	(554)	NM
Net income attributable to common shareholders	\$ 9,130	\$ 13,708	(33)%
Earnings per share attributable to common shareholders - diluted	\$ 2.87	\$ 4.34	(34)%

## Selected Balance Sheet Data

(in thousands, except per share figures)

	As of	
	March 31, 2022	December 31, 2021
Total cash and corporate investments held directly by DHCM	\$ 164,338	\$ 191,780

Shareholders' equity		182,610		184,423
Book value per share	\$	57.22	\$	58.15

(in millions)	Change in Assets Under Management For the Three Months Ended March 31,	
	2022	2021
AUM at beginning of the period	\$ 31,028	\$ 26,411
Net cash inflows (outflows) proprietary funds	173	1,877
sub-advised funds	(25)	42
separately managed accounts	89	(175)
	237	1,744
Net market appreciation (depreciation) and income	(943)	2,427
Increase (decrease) during the period	(706)	4,171
AUM at end of the period	\$ 30,322	\$ 30,582
Average AUM during the period	\$ 30,459	\$ 28,163

(in millions)	Net Cash Inflows Further Breakdown For the Three Months Ended March 31,	
	2022	2021
Net cash inflows Equity	\$ 193	\$ 1,256
Fixed Income	44	488
	\$ 237	\$ 1,744

About Diamond Hill:

Diamond Hill invests on behalf of clients through a shared commitment to its valuation-driven investment principles, long-term perspective, capacity discipline and client alignment. An independent active asset manager with significant employee ownership, Diamond Hill's investment strategies include differentiated U.S. and international equity, alternative long-short equity and fixed income. As of March 31, 2022, Diamond Hill had \$30.3 billion in AUM. For more information visit [www.diamond-hill.com](http://www.diamond-hill.com).

## Use of Supplemental Data as Non-GAAP Performance Measure

As supplemental information, the Company is providing performance measures that are based on methodologies other than U.S. generally accepted accounting principles ("non-GAAP"). Management believes the non-GAAP measures below are useful measures of its core business activities, are important metrics in estimating the value of an asset management business, and may enable more appropriate peer comparisons. These non-GAAP measures should not be used as a substitute for financial measures calculated in accordance with U.S. generally accepted accounting principles ("GAAP") and may be calculated differently by other companies. The following schedule reconciles GAAP measures to non-GAAP measures for the three-months ended March 31, 2022, and 2021, respectively.

(in thousands, except percentages and per share data)	Three Months Ended March 31,	
	2022	2021
Total revenue	\$ 42,256	\$ 39,014
Net operating income, GAAP basis	\$ 19,073	\$ 13,532
Non-GAAP adjustment: Gains (losses) on deferred compensation plan investments, net(1)	(1,179)	3,103
Net operating income, as adjusted, non-GAAP basis(2)	17,894	16,635
Non-GAAP adjustment: Tax provision on net operating income, as adjusted, non-GAAP basis(3)	(4,650)	(4,402)
Net operating income, as adjusted, after tax, non-GAAP basis(4)	\$ 13,244	\$ 12,233
Net operating income, as adjusted after tax per diluted share, non-GAAP basis(5)	\$ 4.16	\$ 3.87
Diluted weighted average shares outstanding, GAAP basis	3,186	3,157
Operating profit margin, GAAP basis	45 %	35 %
Operating profit margin, as adjusted, non-GAAP basis(6)	42 %	43 %

(1) Gains (losses) on deferred compensation plan investments, net: The gain (loss) on deferred compensation plan investments, which increases (decreases) deferred compensation expense included in operating income, is removed from operating income in the calculation because it is offset by an equal amount in investment income (loss) below net operating income on the income statement, and thus, has no impact on net income attributable to the Company.

(2) Net operating income, as adjusted: This non-GAAP measure represents the Company's net operating income adjusted to exclude the impact on compensation expense of gains and losses on investments in the deferred compensation plan.

(3) Tax provision on net operating income, as adjusted: This non-GAAP measure represents the tax provision, excluding the impact of investment related activity, and is calculated by applying the unconsolidated effective tax rate to net operating income, as adjusted.

(4) Net operating income, as adjusted, after tax: This non-GAAP measure deducts from the net operating income, as adjusted, the tax provision on net operating income, as adjusted.

(5) Net operating income, as adjusted after tax per diluted share: This non-GAAP measure was calculated by dividing the net operating income, as adjusted after tax, by diluted weighted average shares outstanding.

(6) Operating profit margin, as adjusted: This non-GAAP measure was calculated by dividing the net operating income, as adjusted, by total revenue.

The Company does not recommend that investors consider the above non-GAAP financial measures alone, or as a substitute for, financial information prepared in accordance with GAAP.

Throughout this press release, Diamond Hill may make forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, relating to such matters as anticipated operating results, prospects and levels of assets under management, technological developments, economic trends (including interest rates and market volatility), expected transactions and similar matters. The words "believe," "expect," "anticipate," "estimate," "should," "hope," "seek," "plan," "intend" and similar expressions identify forward-looking statements that speak only as of the date thereof. While we believe that the assumptions underlying our forward-looking statements are reasonable, investors are cautioned that any of the assumptions could prove to be inaccurate and, accordingly, our actual results and experiences could differ materially from the anticipated results or other expectations expressed in our forward-looking statements.

Factors that could cause our actual results to differ materially from the results referred to in the forward-looking statements are discussed under "Item 1A. Risk Factors" and elsewhere in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as well as under "Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022. These factors include, but are not limited to: the adverse effect from a decline in the securities markets; a decline in the performance of our products; the effect of national, regional, and global economic conditions generally, including the effects of the COVID-19 pandemic and the actions taken in connection therewith; political uncertainty caused by, among other things, political parties, economic nationalist sentiments, and tensions surrounding the current socioeconomic landscape; changes in interest rates; changes in national and local economic and political conditions; the continuing economic uncertainty in various parts of the world; changes in government policy and regulation, including monetary policy; changes in our ability to attract or retain key employees; unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations; and other risks identified from time-to-time in other public documents on file with the Securities and Exchange Commission.

In light of the significant uncertainties in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by Diamond Hill or any other persons, that our objectives and plans will be achieved. All forward-looking statements made in this press release are based on information presently available to the management of Diamond Hill and speak only as of the date on which they are made. We

assume no obligation to update any forward-looking statements, whether as a result of new information, future developments or otherwise, except as may be required by law.

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