

DIAMOND HILL

NEWS RELEASE

DIAMOND HILL INVESTMENT GROUP, INC. REPORTS RESULTS FOR FIRST QUARTER 2024 AND DECLARES QUARTERLY DIVIDEND

5/8/2024

COLUMBUS, Ohio, May 8, 2024 /PRNewswire/ -- Diamond Hill Investment Group, Inc. (Nasdaq: DHIL) today reported unaudited financial results for the first quarter of 2024.

The following are selected highlights for the quarter ended March 31, 2024:

- Assets under management ("AUM") and assets under advisement ("AUA") combined were \$31.9 billion, compared to \$29.2 billion as of December 31, 2023, and \$26.7 billion as of March 31, 2023.
- Average AUM and AUA combined were \$30.1 billion, compared to \$27.3 billion for the first quarter of 2023.
- Net client inflows were \$118.0 million, compared to \$84.0 million of net inflows for the first quarter of 2023.
- Revenue was \$36.3 million, compared to \$34.0 million for the first quarter of 2023.
- Net operating profit margin was 23%, compared to 32% for the first quarter of 2023.
- Adjusted net operating profit margin¹ was 32%, compared to 35% for the first quarter of 2023.
- Investment income was \$9.4 million, compared to \$8.1 million for the first quarter of 2023.
- Net income attributable to common shareholders was \$13.0 million, compared to \$12.7 million for the first quarter of 2023.
- Earnings per share attributable to common shareholders - diluted was \$4.62, compared to \$4.20 for the first quarter of 2023.
- Adjusted earnings per share attributable to common shareholders - diluted² was \$3.00, compared to \$2.81 for the first quarter of 2023.
- The Company returned a total of \$17.5 million to its shareholders - \$13.3 million through the repurchase of 85,108 common shares and \$4.2 million through a dividend of \$1.50 per common share.

"Long-term investment performance has continued to improve across many of our strategies," said Heather Brilliant, CEO. "That performance combined with strong market returns and solid client interest is reflected in our

assets under management and advisement. As always we remain focused on generating excellent, long-term client outcomes in all market environments."

1 Adjusts the financial measure calculated in accordance with U.S. generally accepted accounting principles ("GAAP") for the impact of market movements on the deferred compensation liability and related economic hedges, and the impact of any consolidated funds. During the first quarter of 2024, no Diamond Hill Funds were consolidated; during the first quarter of 2023, the Diamond Hill International Fund was consolidated. The Diamond Hill Fund(s) consolidated during the applicable period are referred to as the "Consolidated Funds." See the reconciliation to the comparable GAAP financial measure at the end of this earnings release.

2 Adjusts the financial measure calculated in accordance with GAAP for the impact of the Consolidated Funds and investment income related to certain other investments. See the reconciliation to the comparable GAAP financial measure at the end of this earnings release.

Dividend:

The Company's board of directors approved the payment of a regular quarterly cash dividend of \$1.50 per common share. The dividend will be paid on June 14, 2024, to the Company's shareholders of record as of the close of business on June 3, 2024.

Selected Income Statement Data

	Three Months Ended March 31,		% Change
	2024	2023	
Revenue	\$ 36,294,930	\$ 33,990,503	7 %
Compensation and related costs, excluding deferred compensation expense	18,147,465	16,362,908	11 %
Deferred compensation expense	3,190,363	744,511	329 %
Other expenses	6,654,276	5,941,517	12 %
Total operating expenses	27,992,104	23,048,936	21 %
Net operating income	8,302,826	10,941,567	(24) %
Investment income, net	9,365,678	8,082,738	16 %
Net income before taxes	17,668,504	19,024,305	(7) %
Income tax expense	(4,652,571)	(4,921,258)	(5) %
Net income	13,015,933	14,103,047	(8) %
Net income attributable to redeemable noncontrolling interest	—	(1,395,495)	NM
Net income attributable to common shareholders	\$ 13,015,933	\$ 12,707,552	2 %
Earnings per share attributable to common shareholders - diluted	\$ 4.62	\$ 4.20	10 %
Weighted average shares outstanding - diluted	2,816,839	3,025,094	(7) %

Selected Assets Under Management and Assets Under Advisement Data

(in millions)	Change in AUM and AUA For the Three Months Ended March 31,	
	2024	2023
AUM at beginning of the period	\$ 27,418	\$ 24,763
Net cash (outflows) inflows		

Diamond Hill Funds	92	110
Separately managed accounts	(162)	84
Collective investment trusts	170	18
Other pooled vehicles	18	(128)
	118	84
Net market appreciation and income	2,443	80
Increase during the period	2,561	164
AUM at end of the period	29,979	24,927
AUA at end of period	1,940	1,776
Total AUM and AUA at end of period	\$ 31,919	\$ 26,703
Average AUM during the period	\$ 28,250	\$ 25,427
Average AUA during the period	1,828	1,833
Total average AUM and AUA during the period	\$ 30,078	\$ 27,260

(in millions)	Net Cash Inflows (Outflows) Further Breakdown For the Three Months Ended March 31,			
	2024		2023	
Net cash inflows (outflows)	\$	(378)	\$	(479)
Equity		496		563
Fixed Income	\$	118	\$	84

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.

Non-GAAP Financial Measures and Reconciliation

As supplemental information, the Company is providing certain financial measures that are based on methodologies other than GAAP ("non-GAAP"). Management believes the non-GAAP financial measures below are useful measures of the Company's core business activities, are important metrics in estimating the value of an asset management business, and help facilitate comparisons to Company operating performance across periods. These non-GAAP financial measures should not be used as a substitute for financial measures calculated in accordance with GAAP and may be calculated differently by other companies. The following schedules reconcile the differences between financial measures calculated in accordance with GAAP and non-GAAP financial measures for the three-month periods ended March 31, 2024 and 2023, respectively.

Three Months Ended March 31, 2024						
	Total operating expenses	Net operating income	Total non-operating income (loss)	Income tax expense(4)	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted
(in thousands, except percentages and per share data)						
GAAP Basis	\$ 27,992	\$ 8,303	\$ 9,366	\$ 4,653	\$ 13,016	\$ 4.62
Non-GAAP Adjustments:						
Deferred compensation liability(1)	(3,190)	3,190	(3,190)	—	—	—
Other investment income(3)	—	—	(6,176)	(1,624)	(4,552)	(1.62)
Adjusted Non-GAAP basis	\$ 24,802	\$ 11,493	\$ —	\$ 3,029	\$ 8,464	\$ 3.00
Three Months Ended March 31, 2023						
	Total operating expenses	Net operating income	Total non-operating income (loss)	Income tax expense(4)	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted
(in thousands, except percentages and per share data)						
GAAP Basis	\$ 23,049	\$ 10,942	\$ 8,083	\$ 4,921	\$ 12,708	\$ 4.20
Non-GAAP Adjustments:						
Deferred compensation liability (1)	(745)	745	(745)	—	—	—
Consolidated Fund(2)	—	99	(5,024)	(985)	(2,544)	(0.84)
Other investment income(3)	—	—	(2,314)	(646)	(1,668)	(0.55)
Adjusted Non-GAAP basis	\$ 22,304	\$ 11,786	\$ —	\$ 3,290	\$ 8,496	\$ 2.81

(1) This non-GAAP adjustment removes the compensation expense resulting from market valuation changes in the Company's deferred compensation plans' liability and the related net gains/losses on investments designated as an economic hedge against the related liability. Amounts deferred under the deferred compensation plans are adjusted for appreciation/depreciation of investments chosen by participants. The Company believes it is useful to offset the non-operating investment income or loss realized on the hedges against the related compensation expense and remove the net impact to help readers understand the Company's core operating results and to improve comparability from period to period.

(2) This non-GAAP adjustment removes the impact that the Consolidated Fund has on the Company's GAAP consolidated statements of income. Specifically, the Company adds back the operating expenses and subtracts the investment income of the Consolidated Fund. The adjustment to net operating income represents the operating expenses of the Consolidated Fund, net of the elimination of related management and administrative fees. The adjustment to net income attributable to common shareholders represents the net income of the Consolidated Fund, net of redeemable non-controlling interests. The Company believes removing the impact of the Consolidated Fund helps readers understand its core operating results and improves comparability from period to period.

(3) This non-GAAP adjustment represents the net gains or losses earned on the Company's non-consolidated investment portfolio that are not designated as economic hedges of the deferred compensation plans' liability, non-consolidated seed investments, and other investments. The Company believes adjusting for these non-operating income or loss items helps readers understand the Company's core operating results and improves comparability from period to period.

(4) The income tax expense impacts were calculated and resulted in the overall non-GAAP effective tax rates of 26.3% for the three months ended March 31, 2024, and 27.9% for the three months ended March 31, 2023.

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

Cautionary Note Regarding Forward-Looking Statements

Throughout this press release, the Company may make "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, as amended (the "PSLR Act"), Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are provided under the "safe harbor" protection of the PSLR Act of 1995. Forward-looking statements include, but are not limited to, statements regarding anticipated operating results, prospects and levels of AUM or AUA, technological developments, economic trends (including interest rates and market volatility), expected transactions and similar matters. The words "may," "believe," "expect," "anticipate," "target," "goal," "project," "estimate," "guidance," "forecast," "outlook," "would," "will," "continue," "likely," "should," "hope," "seek," "plan," "intend," and variations of such words and similar expressions identify forward-looking statements. Similarly, descriptions of the Company's objectives, strategies, plans, goals, or targets are also forward-looking statements. Forward-looking statements are based on the Company's expectations at the time such statements are made, speak only as of the dates they are made and are susceptible to a number of risks, uncertainties and other factors. While the Company believes that the assumptions underlying its forward-looking statements are reasonable, investors are cautioned that any of the assumptions could prove to be inaccurate and, accordingly, the Company's actual results and experiences may differ materially from the anticipated results or other expectations expressed in its forward-looking statements.

Factors that may cause the Company's actual results or experiences to differ materially from results discussed in forward-looking statements are discussed under Part I, Item 1A (Risk Factors) and elsewhere in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as well as in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024. These factors include, but are not limited to: (i) any reduction in the Company's AUM or AUA; (ii) withdrawal, renegotiation, or termination of investment advisory agreements; (iii) damage to the Company's reputation; (iv) failure to comply with investment guidelines or other contractual requirements; (v) challenges from the competition the Company faces in its business; (vi) challenges from industry trends towards lower fee strategies and model portfolio arrangements; (vii) adverse regulatory and legal developments; (viii) unfavorable changes in tax laws or limitations; (ix) interruptions in or failure to provide critical technological service by the Company or third parties; (x) adverse civil litigation and government investigations or proceedings; (xi) failure to adapt to or successfully incorporate technological changes, such as artificial intelligence, into the Company's business; (xii) risk of loss on the Company's investments; (xiii) lack of sufficient capital on satisfactory terms; (xiv) losses or costs not covered by insurance; (xv) a decline in the performance of the Company's products; (xvi) changes in interest rates and inflation; (xvii) changes in national and

local economic and political conditions; (xviii) the continuing economic uncertainty in various parts of the world; (xix) the after-effects of the COVID-19 pandemic and the actions taken in connection therewith; (xx) political uncertainty caused by, among other things, political parties, economic nationalist sentiments, tensions surrounding the current socioeconomic landscape; and (xxi) other risks identified from time-to-time in the Company's public documents on file with the U.S. Securities and Exchange Commission.

In light of the significant uncertainties in forward-looking statements, the inclusion of such information should not be regarded as a representation by the Company or any other person that its expectations, 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 the Company and speak only as of the date hereof. Readers are cautioned not to place undue reliance on forward-looking statements. New risks and uncertainties arise from time to time, and factors that the Company currently deems immaterial may become material, and it is impossible for the Company to predict these events or how they may affect it. The Company assumes no obligation to update any forward-looking statements after the date they are made, whether as a result of new information, future events or developments or otherwise, except as required by law, although it may do so from time to time. The Company does not endorse any projections regarding future performance that may be made by third parties.

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