



Your Mission is Our Passion

FY2019 First Quarter Earnings Presentation

Three Months Ended December 31, 2018

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February 14, 2019

Forward-looking Statements

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or DLH's future financial performance. Any statements that are not statements of historical fact (including without limitation statements to the effect that the Company or its management "believes," "expects," "anticipates," "plans," "intends," and similar expressions) should be considered forward looking statements that involve risks and uncertainties which could cause actual events or DLH's actual results to differ materially from those indicated by the forward-looking statements. Those risks and uncertainties include, but are not limited to, the following: failure to achieve contract awards in connection with re-competes for present business and/or competition for new business; the risks and uncertainties associated with client interest in and purchases of new services; changes in client budgetary priorities; government contract procurement (such as bid protest, small business set asides, loss of work due to organizational conflicts of interest, etc.) and termination risks; the ability to successfully integrate the operations of our recent and any future acquisitions; and other risks described in our SEC filings. For a discussion of such risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in the Company's periodic reports filed with the SEC, including our annual report on Form 10-K for the fiscal year ended September 30, 2018, as well as interim quarterly filings thereafter. The forward-looking statements contained herein are made as of the date hereof and may become outdated over time. The company does not assume any responsibility for updating forward-looking statements.

First Quarter (Q1) Highlights and Summary



- ◀ Q1 revenue \$33.8 million, up 11.7 percent year-over-year
- ◀ Gross margin of 23.1 percent
- ◀ Operating income more than doubled to \$2.6 million
- ◀ Diluted EPS \$0.13

Market Factors Impacting FY2019



STRONG

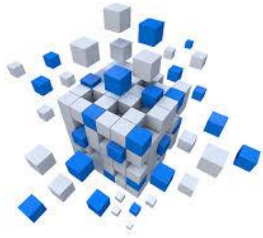
Core agencies **funded** through FY2019

New business qualified pipeline > **\$600M**

DoD FY2020 budget request in March

Gov't consolidating **contracts & IDIQs**

Industry **M&A** activities continue



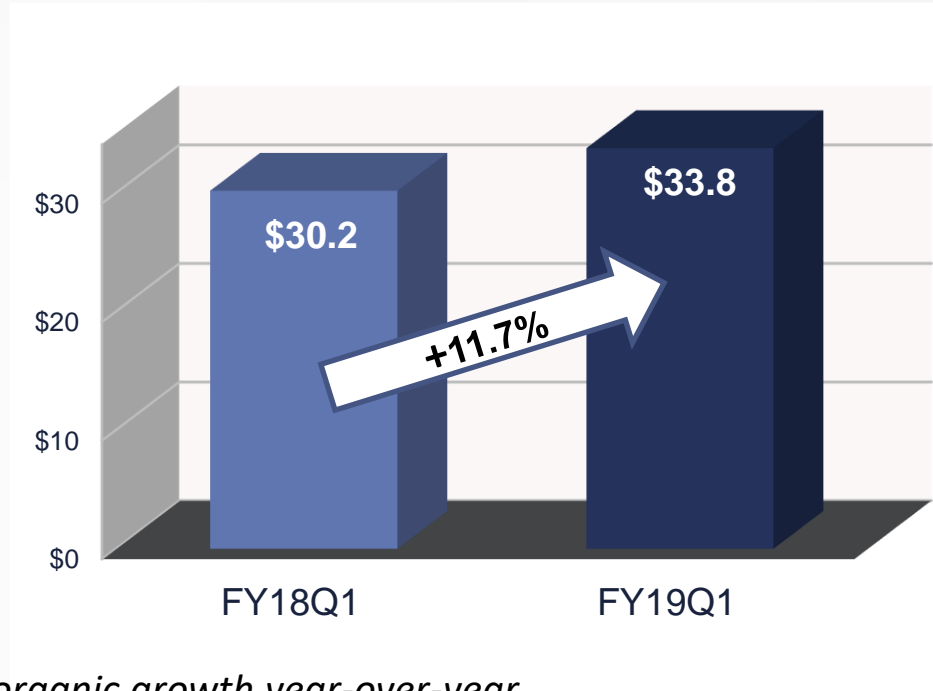
CONTRACTION



CONSOLIDATION

FY2019 Q1 Results: Revenue

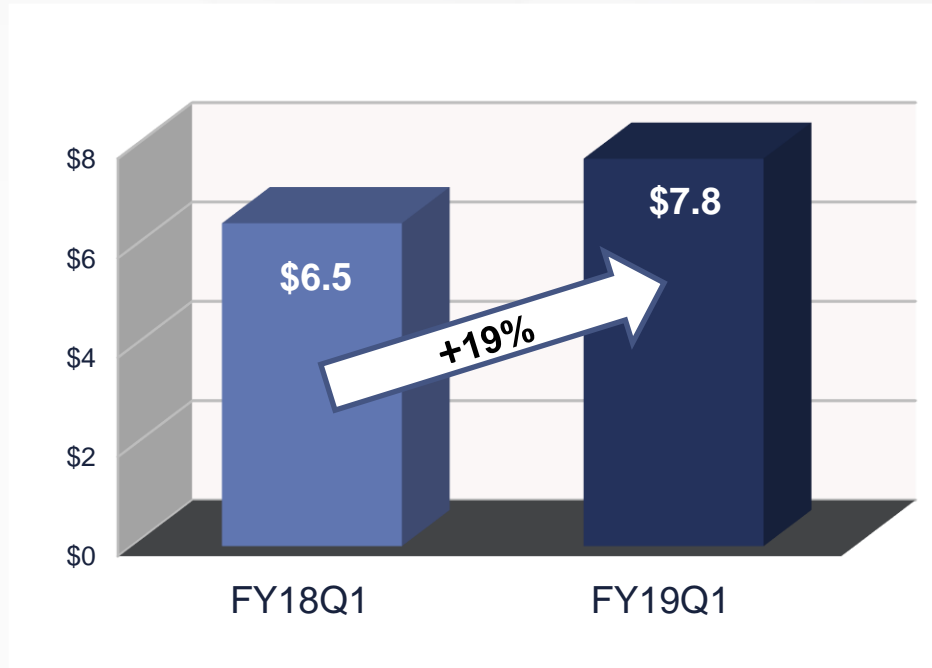
\$ Millions



- *Strong organic growth year-over-year*

FY2019 Q1 Results: Gross Margin

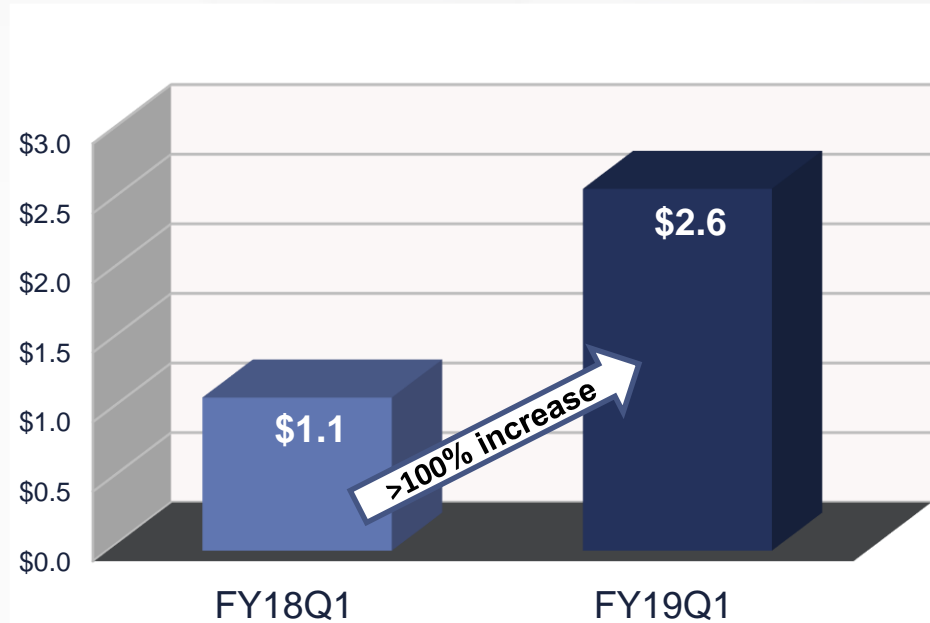
\$ Millions



- *Increase in gross profit driven by higher revenue and margins*

FY2019 Q1 Results: Operating Income

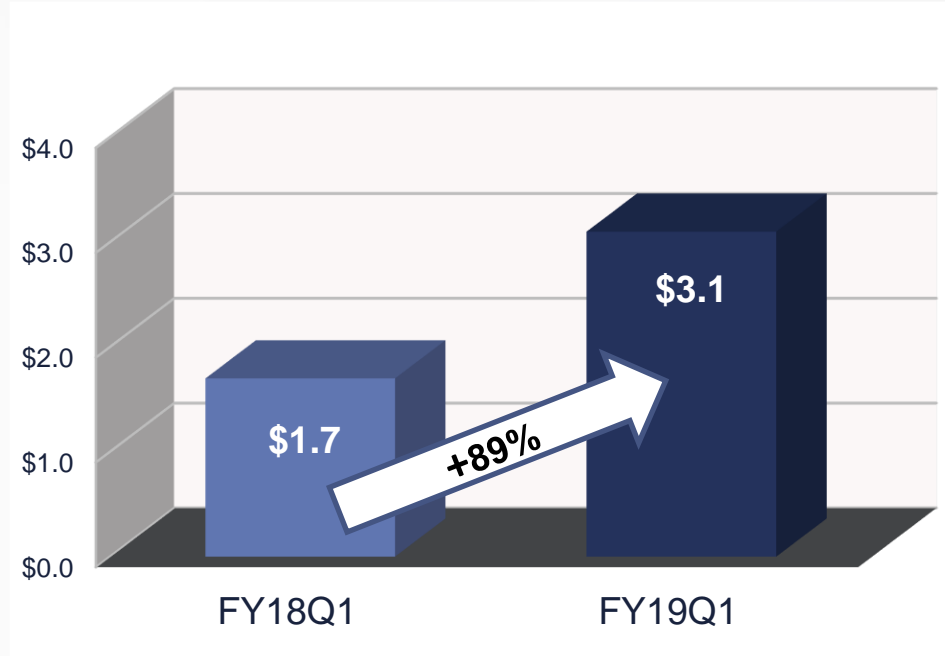
\$ Millions



- *Reflects impact of higher gross profit and slightly lower G&A*

FY2019 Q1 Results: EBITDA

\$ Millions



- *As a percent of revenue was 9.2% in FY19Q1 vs 5.5% in FY18Q1*

A reconciliation of net income to EBITDA is provided in the back of this presentation.

Balance Sheet Trends

| | <u>9/30/2016</u> | <u>9/30/2017</u> | <u>9/30/2018</u> | <u>12/31/2018</u> |
|-----------------------|------------------|------------------|------------------|-------------------|
| ◀ Term loan balance* | \$23.4 M | \$19.7 M | \$7.7 M | \$7.4 M |
| ◀ Revolver balance** | -0- | -0- | -0- | -0- |
| ◀ Less cash on hand | 3.4 | 4.9 | 6.4 | 4.3 |
| ◀ Net Debt | \$20.0 | \$14.8 | \$1.3 | \$3.1 |
| ◀ LTM EBITDA | \$4.5 | \$8.4 | \$11.0 | \$12.5 |
| ◀ Net Debt/LTM EBITDA | 4.44 | 1.76 | <1 | <1 |

***\$25M originally**

****\$10M ceiling; no borrowing as of 12/31/18**

A reconciliation of LTM EBITDA is provided in the back of this presentation.

Question and Answer Session



Appendix: Non-GAAP Reconciliations

This document contains non-GAAP financial information. Management uses this information in its internal analysis of results and believes this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results, and providing meaningful period-to-period comparisons. These measures should be used in conjunction with, rather than instead of, their comparable GAAP measures. A reconciliation of non-GAAP measures to the comparable GAAP measures presented in this document also is contained in the company's most recent earnings press release.

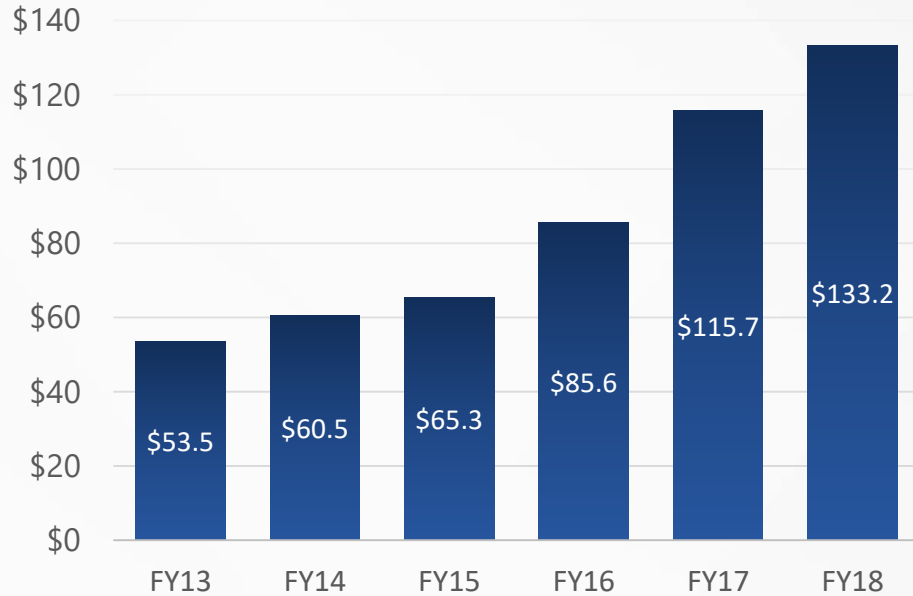
FY2019 Q1 EBITDA Reconciliation

Amounts in \$000s

| | Three Months Ended | | |
|-------------------------------------|--------------------|-----------------|-----------------|
| | December 31, | | |
| | 2018 | 2017 | Change |
| Net income (loss) | \$ 1,690 | \$ (2,851) | \$ 4,541 |
| (i) Interest expense | 177 | 278 | (101) |
| (ii) Provision for taxes | 690 | 3,719 | (3,029) |
| (iii) Depreciation and amortization | 563 | 506 | 57 |
| EBITDA | \$ 3,120 | \$ 1,652 | \$ 1,468 |

Annual Trends

Historical Revenue (\$ in millions)



Historical EBITDA* (\$ in millions)



*A reconciliation of Net Income to EBITDA is provided at the back of this presentation.

Trending EBITDA Reconciliation

| <i>Amounts in \$000s</i> | Twelve Months Ended | | | | | | LTM* |
|-------------------------------------|---------------------|---------------|-----------------|-----------------|-----------------|------------------|------------------|
| | September 30, | | | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
| Net (loss)/income | \$ (159) | \$ 5,357 | \$ 8,728 | \$ 3,384 | \$ 3,288 | \$ 1,836 | \$ 6,377 |
| (i) Interest expense/other (income) | 407 | 4 | (744) | 823 | 1,228 | 1,116 | 1,015 |
| (ii) (Benefit)/provision for taxes | — | (4,597) | (5,488) | (938) | 2,114 | 5,830 | 2,802 |
| (iii) Depreciation and amortization | 121 | 106 | 55 | 1,244 | 1,754 | 2,242 | 2,298 |
| EBITDA | \$ 369 | \$ 870 | \$ 2,551 | \$ 4,513 | \$ 8,384 | \$ 11,024 | \$ 12,492 |

*Twelve Months ended December 31, 2018