



Your Mission is Our Passion

DLH Investor Presentation

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August 8, 2018

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-compete 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, 2017, 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 The forward-looking statements contained herein are made as of the date hereof and may become outdated over time.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.

Agenda



Overview



Financial Highlights



Questions and Answers





Prime Contractor Offerings

- ◀ Established mid-tier Government services business with an excellent service reputation and long-term customer relationships
- ◀ Strong prime contractor position in key Federal agencies like VA, DOD, and HHS



Financial Strength

- ◀ Excellent cash flow, consistent margins, and solid balance sheet
- ◀ Long-term contracts, high re-compete win rates, and healthy pipeline



Positioned for Growth

- ◀ Focused on critical areas of Federal health technology, data analytics, and health and human service market segments
- ◀ Aligned with favorable Federal market trends and demand dynamics



Seasoned Leadership

- ◀ Executive leadership built to leverage industry best practices
- ◀ Strong industry representation on board of directors

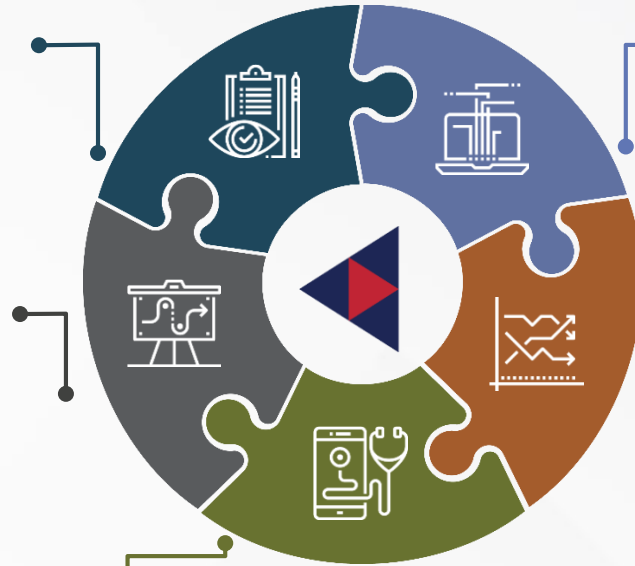
Offering the best of innovation and trusted mission-critical, long-term relationships

Program Management

- ◀ Monitoring and evaluation (M&E)
- ◀ Medical/clinical solutions
- ◀ Population health
- ◀ Pharmacy distribution

Capacity Building

- ◀ Public and behavioral health
- ◀ Web-based design and management
- ◀ eLearning courses and VIRTEX
- ◀ Evidence-based practices
- ◀ Training and TA



Health IT

- ◀ Architecture and legacy migration
- ◀ Web and mobile platforms
- ◀ Interoperability and integration
- ◀ Reporting design and implementation

Data Analytics

- ◀ Health and scientific program results
- ◀ Medical research and health informatics
- ◀ Analytics-based performance management
- ◀ Client intelligence and program outcomes

Tech-enabled Solutions

- ◀ Web resource allocation tools
- ◀ Telehealth and virtual pharmacy
- ◀ Web and digital communication
- ◀ Medication adherence

Our Customer Base



Civilian Agencies

ADMINISTRATION FOR
CHILDREN & FAMILIES



National Institutes of Health



FY2017 Spending for Health Services, IT, and Professional Services over \$15B

Defense and Veterans Affairs Agencies



FY2017 Spending for Health Services, IT, and Professional Services over \$116B

Source: Deltek GovWin

“Strategies Driving Focus”

- ◀ Niche (targeted) vs broad solutions continue to gain traction
- ◀ "Agile" as a mindset/strategy is beginning to take hold
- ◀ Mid-tier companies have unique opportunities for scale with tech-enabled solutions

“Healthy and Growing”

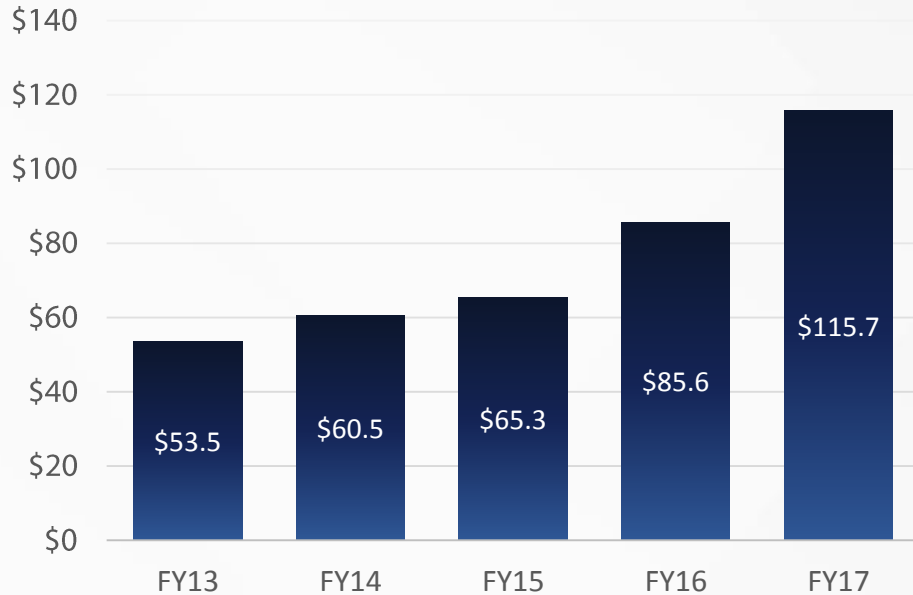
- ◀ IT/professional services spending continues to grow
- ◀ Federal spend on IT and Professional Services up in FY17
 - IT Services – 10% **increase**
 - Professional Services – 6.5% **increase**

“High-priority Mission Programs”

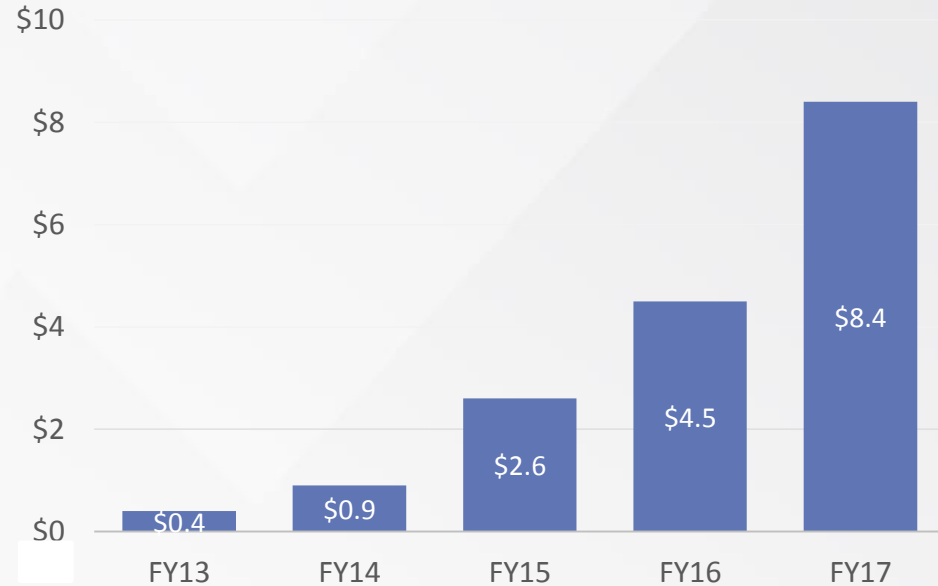
- ◀ Programs we manage continue to move forward despite other priorities and new leadership
- ◀ Majority of DLH’s federal customers saw budget increases
- ◀ Deliver long-term benefits to populations served

Our History of Growth

Historical Revenue (\$ in millions)



Historical EBITDA* (\$ in millions)



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

Our Levers of Value Creation

1

Stable Revenue Growth

- Scale technology-enabled and health analytics offerings
- Focus on Federal agencies with high growth
- Shift business mix toward greater complexity and professional work requirements
- Make strategic acquisitions to expand DLH offerings

2

Sustainable Margin Expansion

- Optimize workforce and service delivery
- Leverage expertise in IT system architecture design and migration services
- Focus on capture of professional work projects that typically yield higher gross margins
- Pursue excellence across key dimensions of agility and cost efficiency

3

Strong Cash Flow and Disciplined Capital Management

- Expand EBITDA and reduce leverage, strengthening balance sheet
- Drive working capital efficiency and free cash flow, supported by no inventory, minimal capex, and minimal cash taxes until ~2024
- Re-invest in business and make targeted acquisitions

“Driving Operational Excellence”

- ◀ Ensuring excellence, efficiency and effectiveness in program delivery
- ◀ Investing in continuous improvement (quality) certifications
- ◀ Developing leadership abilities and potential of program managers

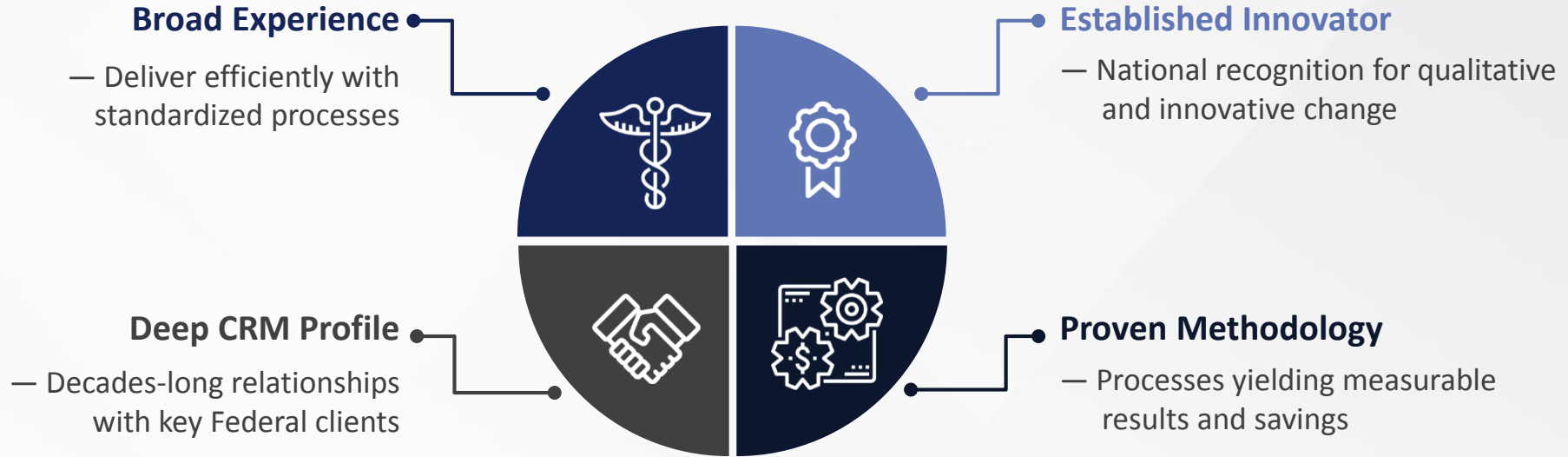
“Winning New Business”

- ◀ Optimizing business development
- ◀ Bidding selectively and building a significant backlog
- ◀ Increasing technology-enabled solutions to support the government’s high-priority missions

“Deploying Capital to Support Growth”

- ◀ Adding capability and customers to accelerate growth
- ◀ Targeting acquisitions to strengthen DLH’s position and broaden its footprint across known market areas
- ◀ Delivering long-term shareholder value

Uniquely positioned mid-tier company

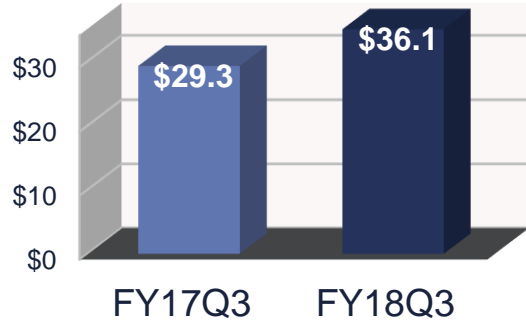


Large programs and suite of capabilities position DLH as a differentiated go-to-market performance leader

Financial Review: FY18Q3 update

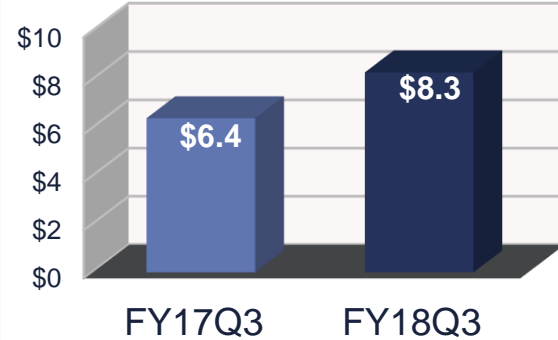
\$M

Revenue



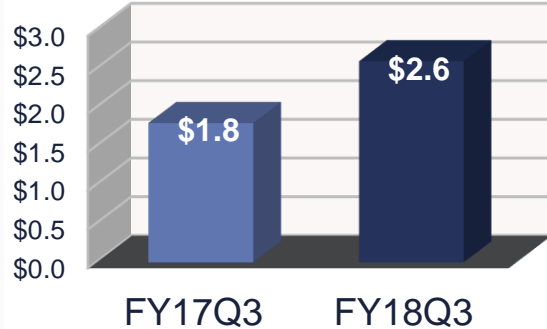
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24%

Gross Profit



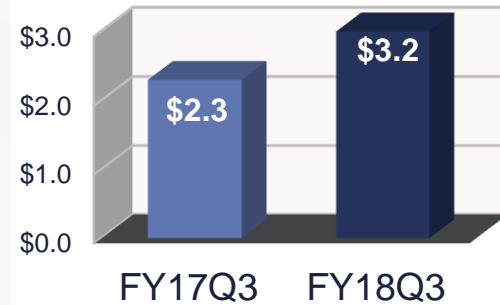
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31%

Operating Income



↑
49%

EBITDA



↑
42%

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

Balance Sheet: Deleveraging Story Continues

	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>6/30/2018</u>
◀ Term loan balance*	\$23.4 M	\$19.7 M	\$14.0 M
◀ Revolver balance**	-0-	-0-	-0-
◀ Less Cash on Hand	3.4	4.9	6.6
◀ Net Debt	\$20.0	\$14.8	\$7.4
◀ LTM EBITDA	\$4.5	\$8.4	\$10.3
◀ Net Debt/LTM EBITDA	4.44	1.76	0.72

***\$25M originally**

****\$10M ceiling; availability \$10M; no borrowing as of 6/30/18**

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



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Atlanta HQ

3565 Piedmont RD NE
Building 3, Suite 700
Atlanta, GA 30305

National Capital Region HQ

8737 Colesville Road
Suite 1100
Silver Spring, MD 20910

This document contains non-GAAP financial information. Management uses this information in its internal analysis of results and believes that 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 is also contained in the Company's most recent quarterly earnings press release.

For an expanded discussion of our use of this non-GAAP measure, please refer to the Earnings Release dated August 6, 2018.

Appendix: Non-GAAP Reconciliations

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FY18Q3 EBITDA Reconciliation

	Three Months Ended			Nine Months Ended		
	June 30,			June 30,		
	2018	2017	Change	2018	2017	Change
Net income (loss)	\$ 1,614	\$ 945	\$ 669	\$ 79	\$ 2,248	\$ (2,169)
(i) Interest expense	262	269	(7)	801	888	(87)
(ii) Provision for taxes	738	539	199	5,084	1,345	3,739
(iii) Depreciation, amortization	588	510	78	1,654	1,265	389
EBITDA	\$ 3,202	\$ 2,263	\$ 939	\$ 7,618	\$ 5,746	\$ 1,872

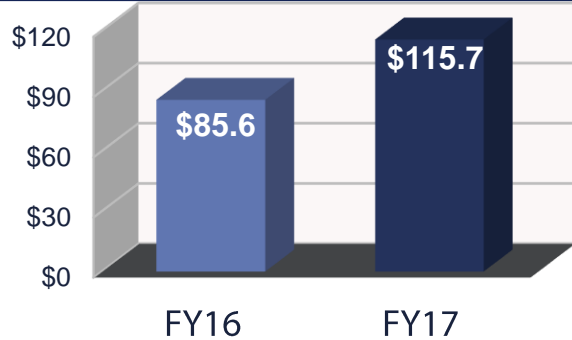
Trending EBITDA Reconciliation

	Last Twelve Months Ended					
	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017	6/30/2018
Net Income (Loss)	\$ (159)	\$ 5,357	\$ 8,728	\$ 3,384	\$ 3,288	\$ 1,119
Interest and other (income) expense (net):						
Interest and other expense	\$ 407	\$ 4	\$ (744)	823	1,228	1,141
Provision for taxes	—	\$ (4,597)	\$ (5,488)	(938)	2,114	5,853
Depreciation, amortization and loss on fixed assets	\$ 121	\$ 106	\$ 55	1,244	1,754	2,143
EBITDA	\$ 369	\$ 870	\$ 2,551	\$ 4,513	\$ 8,384	\$10,256

Full Year Fiscal 2017 (ended 9/30/2017)

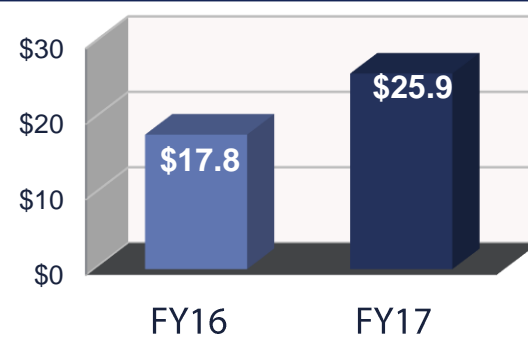
\$M

Revenue



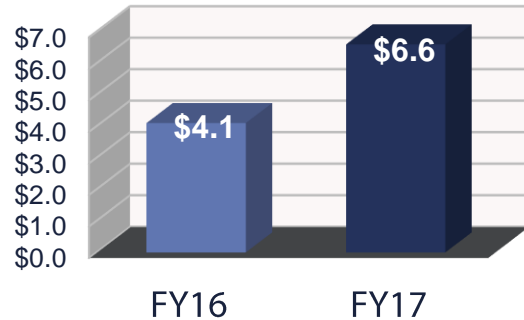
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35%

Gross Profit



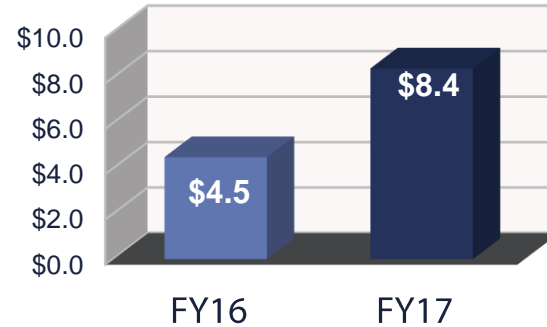
↑
45%

Operating Income



↑
63%

EBITDA



↑
86%

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