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A Russell 2000 Company

FY2024 Fourth Quarter Earnings

Three & Twelve Months Ended 9.30.24

December 5, 2024

Your Mission is Our Passion.

Call Participants

Zach Parker
President and Chief Executive Officer

Kathryn JohnBull
Chief Financial Officer

Forward-Looking Statements

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

This press release 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 refer to expectations, projections or other characterizations of future events or circumstances or 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. Forward-looking statements in this release include, among others, statements regarding estimates of future revenues, operating income, earnings and cash flow. These statements reflect our belief and assumptions as to future events that may not prove to be accurate. Our actual results may differ materially from such forward-looking statements made in this release due to a variety of factors, including: including the measures to reduce its spread, and its impact on the economy and demand for our services, are uncertain, cannot be predicted, and may precipitate or exacerbate other risks and uncertainties; the diversion of management’s attention from normal daily operations of the business and the challenges of managing larger and more widespread; the inability to retain employees and customers; contract awards in connection with re-competes for present business and/or competition for new business; our ability to manage our increased debt obligations; compliance with bank financial and other covenants; changes in client budgetary priorities; government contract procurement (such as bid and award protests, small business set asides, loss of work due to organizational conflicts of interest, etc.) and termination risks; the impact of inflation and higher interest rates; 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, 2024, as well as subsequent reports filed thereafter. The forward-looking statements contained herein are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry and business.

Q4 & Fiscal 2024 Financial Highlights

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Revenue

Q4 **$96.4M**

FY24 **$395.9M**

EBITDA

Q4 **$10.7M**

FY24 **$42.0M**

Cash from Operations[1]

$27.4M

Debt Balance

$154.6M

[1]Fiscal 2024 Year to Date

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Updates

- **Contract win demonstrates strength of advanced technology capabilities**
  - New $76 million award with US Navy
- **Dynamic conditions in GovCon services industry**
  - Government operating under short-term continuing resolution, funding federal programs through Dec. 20
  - Guidance from outgoing administration expands small business headwinds
  - New Administration’s focus on efficiency and cost reduction well aligned with DLH expertise
- **DLH positions for organic growth in FY25**
  - Amended bank covenant offers flexibility to navigate the anticipated transition
  - Common, DLH-branded platform to leverage technology-powered solutions

Your Mission is Our Passion.

Well Positioned for Organic Growth

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- DIGITAL TRANSFORMATION & CYBERSECURITY
- SCIENCE, RESEARCH & DEVELOPMENT
- SYSTEMS ENGINEERING & INTEGRATION

Record Qualified New Business Pipeline –

Composed of ~$4.0B in Opportunities Where DLH Differentiators Matter

Award decisions expected between FY25-27

Applying technology differentiators
Including AI/ML/RPA applications, cloud migration and computing, enterprise IT systems management, modeling & simulation, and more.

World-class team of technologists and scientists
Addressing health and defense missions that we expect to be priorities for incoming administration

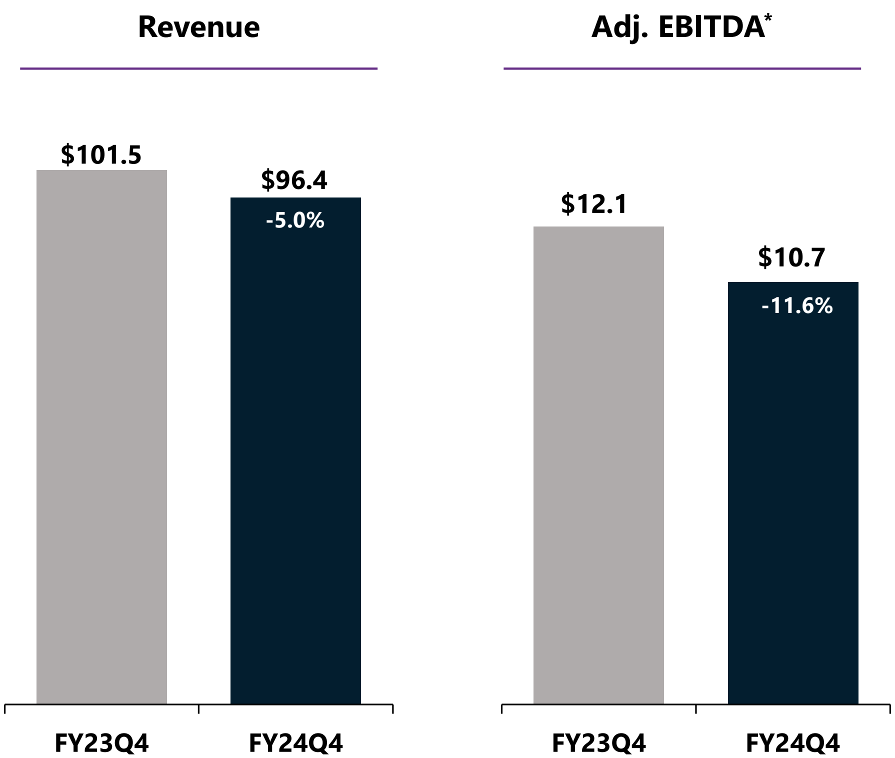
Driving productivity and efficiencies
Delivering cost savings to mission critical federal clients through technology-powered solutions

Building shareholder value
Operating in high demand service areas which generally realize higher market valuations

Financials

Kathryn JohnBull, Chief Financial Officer

Key Financial Results ($ in millions)



- Revenue for fiscal 2024 Q4 was lower than the same period in fiscal 2023 reflecting certain work converting to small business set-aside contracts primarily in our VA and DoD portfolio.
- Adjusted EBITDA in fiscal 2024 decreased as compared to fiscal 2023 due to lower revenue volumes and to a higher proportion of revenue derived from non-labor costs that inherently produce a lower margin

Note: A reconciliation of Adjusted EBITDA is included in the appendix of this presentation

Key Financial Results: FY24 ($ in millions)

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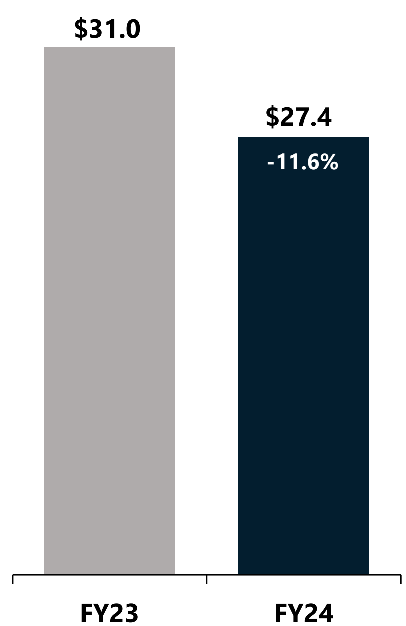
Revenue

Adj. EBITDA*

Cash from Operations

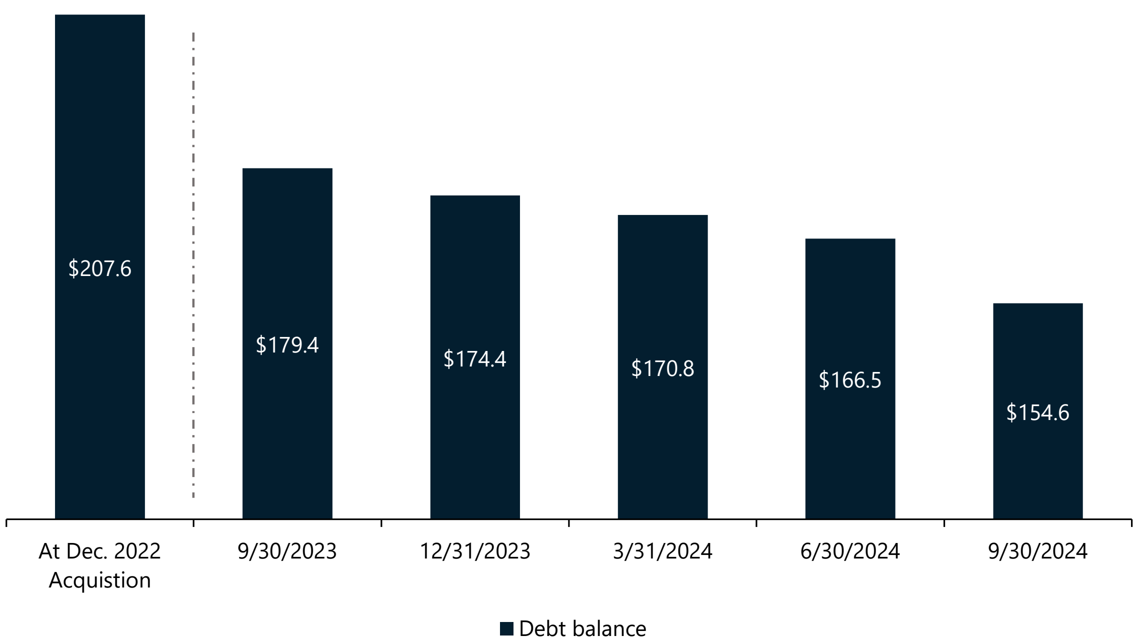


- Revenue for fiscal 2024 reflects the full year contribution of the December 2022 acquisition, growth in our HHS portfolio, partially offset by small business conversions in our DOD and VA portfolios.
- Adjusted EBITDA in fiscal 2024 is flat as compared to fiscal 2023 due primarily to an increase in revenue volume from non-labor costs that inherently produce a lower margin
- Cash from operations decreased primarily due to the liquidation of lease liabilities established as part of the December 2022 acquisition, offset in part by a decrease in days sales outstanding to 45 days.

Note: A reconciliation of Adjusted EBITDA is included in the appendix of this presentation

Quarterly Debt Paydown ($ in millions)

Year end Fiscal 2024 total debt paydown exceeds management expectations



- All mandatory amortization payments satisfied through fiscal 2025; management expects to continue using cash from operations to reduce debt
- $9.5 million of voluntary prepayments on term debt completed in fiscal 2024 Q4; all applied to floating rate debt
- Amended credit facility provides financial covenant flexibility as we navigate the conversion of certain contracts to small business contractors.

Technology Strategy Yields Value

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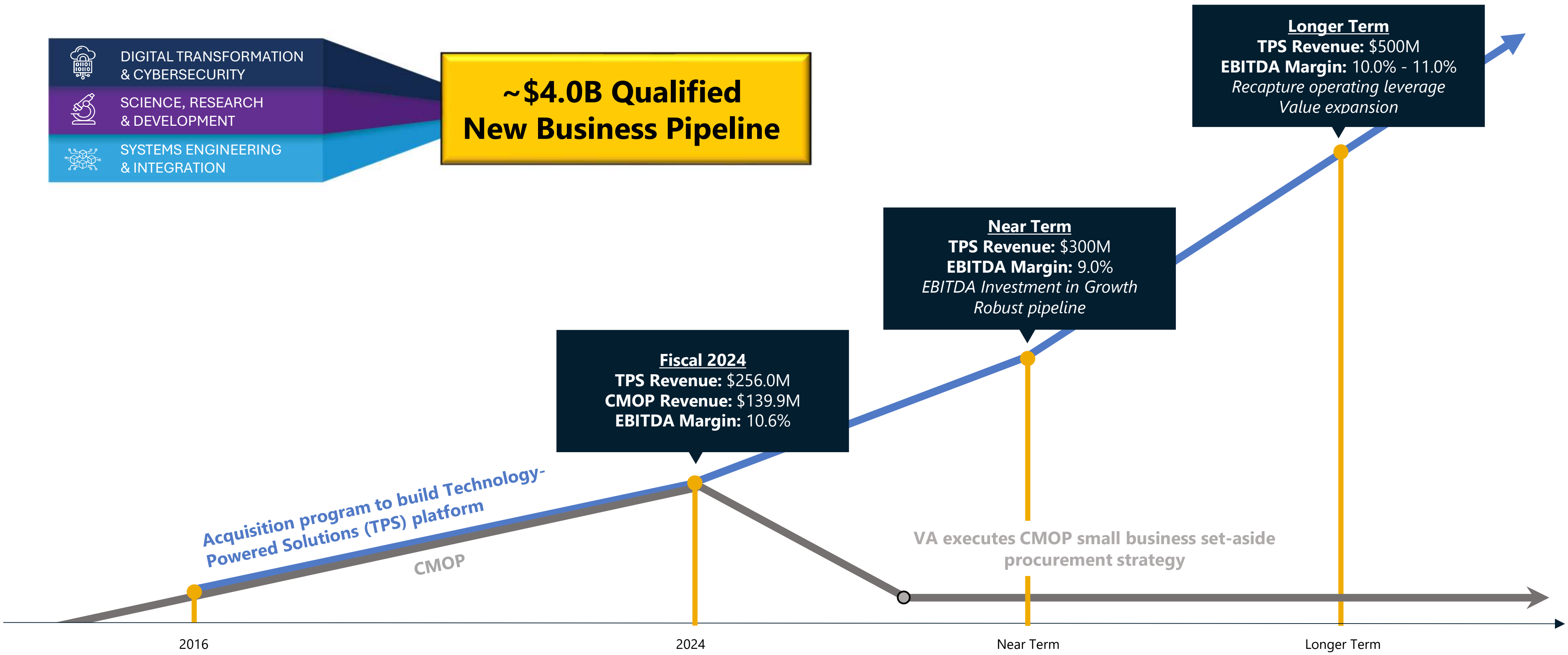

Graphic is for illustrative purposes only and is not meant to represent forecasts. Scenarios represent expected results at indicated business volumes and do not relate to a defined time period.

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Questions?

Thank you!

Appendix

Non-GAAP Reconciliations

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This document contains non-GAAP financial information including EBITDA and Adjusted EBITDA which are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance investors should (i) evaluate each adjustment in our reconciliation to the nearest GAAP financial measures and (ii) use the aforementioned non-GAAP measures in addition to, and not as an alternative to, revenue, operating income and net income as measures of operating results, each as defined under GAAP. We have defined these non-GAAP measures as follows:

"EBITDA" represents net income excluding interest expense, provision for or benefit from income taxes and depreciation and amortization

"Adjusted EBITDA" represents net income before income taxes, interest, depreciation and amortization and the corporate costs associated with completing the acquisition and the impairment loss on the right of use asset.

	Three Months Ended September 30,			Twelve Months Ended September 30,		
(in thousands)	2024	2023	Change	2024	2023	Change
Net income	$2,294	$(2,630)	$4,924	$7,397	$1,461	$5,936
Interest expense, net	4,162	4,760	(598)	17,153	16,271	882
Income tax (benefit) expense	(79)	(2,018)	1,939	350	(641)	991
Depreciation and amortization	4,283	4,281	2	17,052	15,562	1,490
EBITDA	$10,660	$4,393	$6,267	$41,952	$32,653	$9,299
Impairment loss of long-lived assets (a)	--	7,673	(7,673)	--	7,673	(7,673)
Corporate development costs (b)	--	--		--	1,735	(1,735)
Adjusted EBITDA	$10,660	$12,066	$(1,406)	$41,952	$42,061	$(109)
Net income Margin on Revenue	2.4%	(2.6)%		1.9%	0.4%	
EBITDA Margin on Revenue	11.1%	4.3%		10.6%	8.7%	
Adjusted EBITDA Margin on Revenue	11.1%	11.9%		10.6%	11.2%	

(a): Represents impairment loss of certain long-lived real estate assets associated with a reduction of the fair value of an asset prompted by a triggering event. During the fourth quarter of fiscal 2023, DLH reduced its leased office space requirement by consolidating underutilized premises as part of an ongoing facility rationalization effort, to accurately reflect the operational needs of the business. As a result, the Company has determined that its Right of Use Assets experienced a reduction in fair value below its associated carrying value and recorded a $7.7 million loss of fair value.

(b): Represents corporate development costs we incurred to complete the December 2022 transaction. These costs primarily include legal counsel, financial due diligence, customer market analysis and representation and warranty insurance premiums.

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