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Alliance Global Partners Virtual Technology Conference

02.07.2024

Zach Parker
President and Chief Executive Officer

Kathryn JohnBull
Chief Financial Officer

Your Mission is Our Passion.

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, 2023, 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.

What We Do

DLH enhances public health and national security **readiness missions** through **science**, **technology**, **cyber**, and **engineering** solutions and services.

Investment Rationale

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Advanced Solutions Powered by Technology

Investments yield platform for high value opportunities

Broad Addressable Markets

Capabilities aligned with federal budget priorities

Sustainable Revenue Growth

Decade+ of consecutive growth

Strong Cash Flow

Produced by favorable operating model

Technology Platform

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Capabilities transcend markets, delivering high value growth opportunities

Digital Transformation & Cybersecurity

- Big Data
- AI/ML
- Cloud Enablement
- Cybersecurity Ecosystem
- DevSecOps
- Infinibyte® Cloud
- Modeling & Simulation

Science Research & Development

- Clinical Trials Research Services
- Data Sciences/Analytics
- Health Services Research
- Testing & Evaluation
- Public Health Research

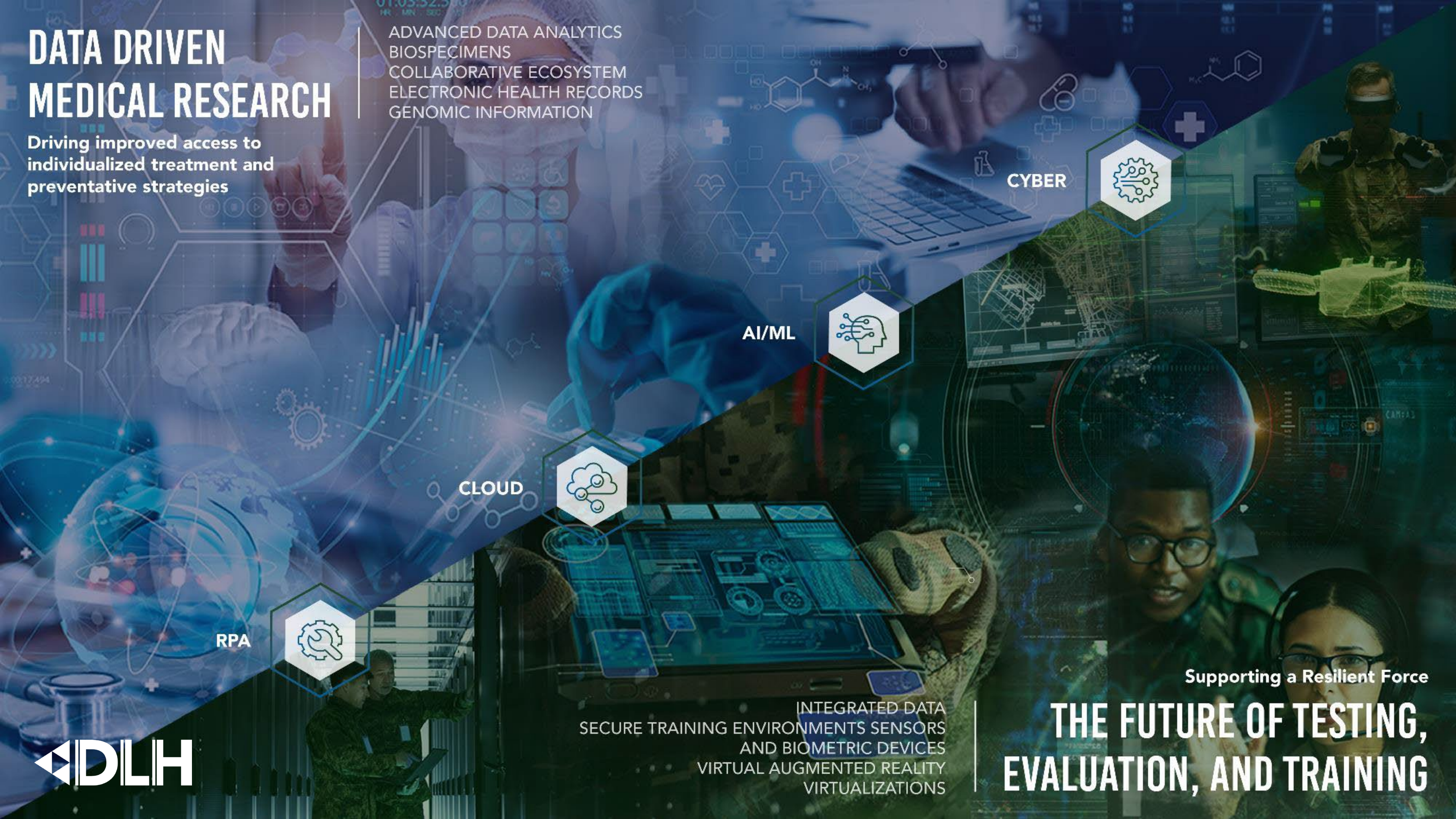
System Engineering & Integration

- Enterprise-Edge IT Management
- Health IT Systems
- Future Demand Analytics
- Robotics & Unmanned Systems

DATA DRIVEN MEDICAL RESEARCH

ADVANCED DATA ANALYTICS
BIOSPECIMENS
COLLABORATIVE ECOSYSTEM
ELECTRONIC HEALTH RECORDS
GENOMIC INFORMATION

Driving improved access to individualized treatment and preventative strategies



Supporting a Resilient Force

THE FUTURE OF TESTING, EVALUATION, AND TRAINING

INTEGRATED DATA
SECURE TRAINING ENVIRONMENTS SENSORS
AND BIOMETRIC DEVICES
VIRTUAL AUGMENTED REALITY
VIRTUALIZATIONS

Advanced Technology Supporting Critical Missions

PUBLIC HEALTH
Contributes to national priority public health initiatives to eradicate cancer and HIV/AIDS

EARLY CHILDHOOD EDUCATION
Builds a cloud-based enterprise application to help a customer access the quality of service its grantees provide

SCIENTIFIC RESEARCH
Applies AI tools to evaluate image analysis algorithm trained to detect and score cardiotoxicology data

MILITARY HEALTH
Supports research into leading robotic platforms and applications to advance battlefield medicine

CLINICAL TRIALS
Conducts specialized scientific IT support for longitudinal studies in national priority areas

NATIONAL SECURITY
Leverages AI/ML to design and deploy a predictive analytics model which delivers true future demand analysis for our nation’s military

Increased Value

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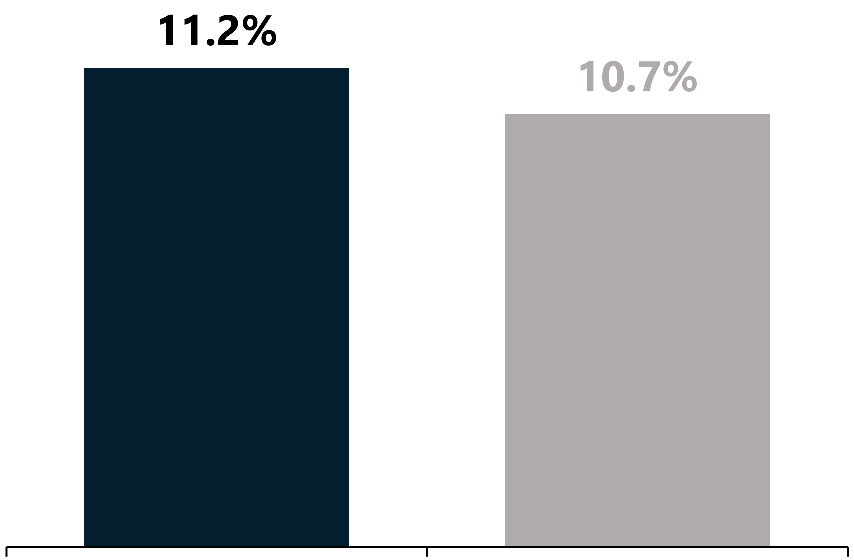
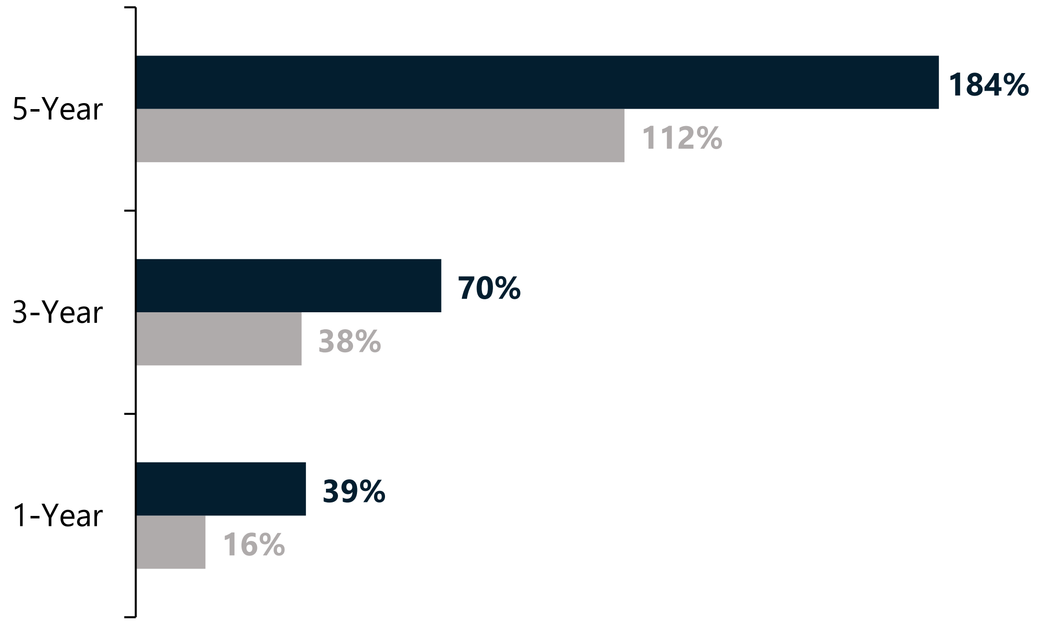
Technology platform yields EBITDA margins and returns in line with industry standard

Adj. EBITDA Margin[1]



Change in Stock Price (as of 12/31/23)



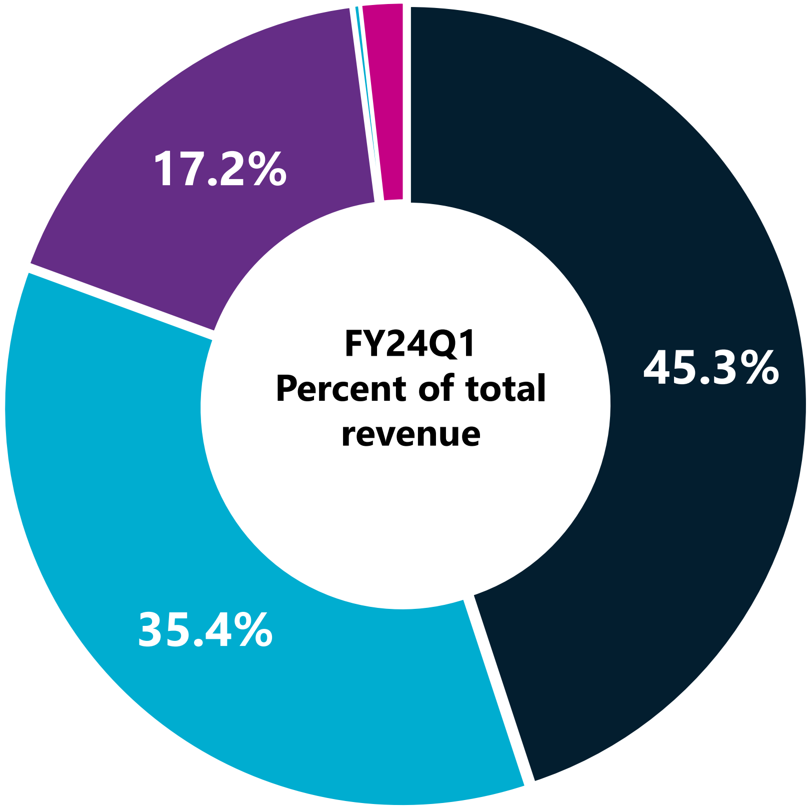
DLH   Industry Peer Group

[1]Based on twelve month results ending on 9/30/23

Broad Customer Base Reduces Concentration Risk

Diversified customer set spans military, national security, and critical federal civilian markets

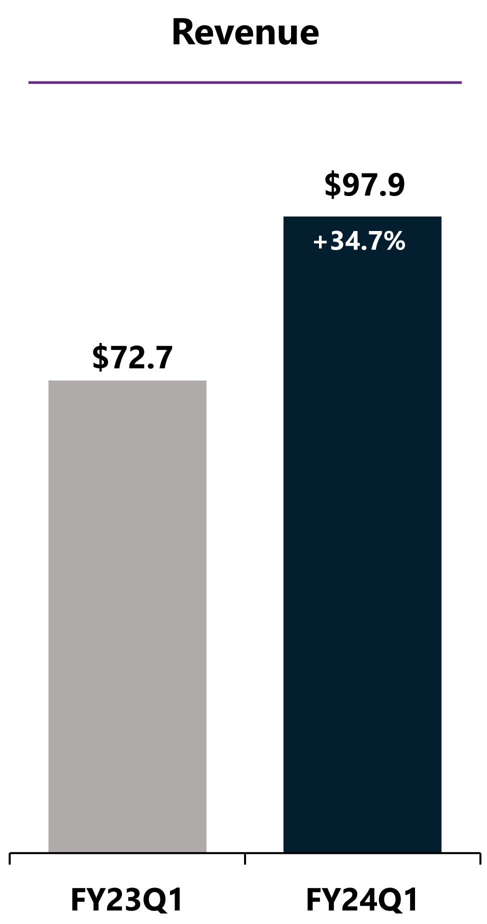
Department of Defense
- Defense Health Agency
- U.S. Marine Corps
- U.S. Navy

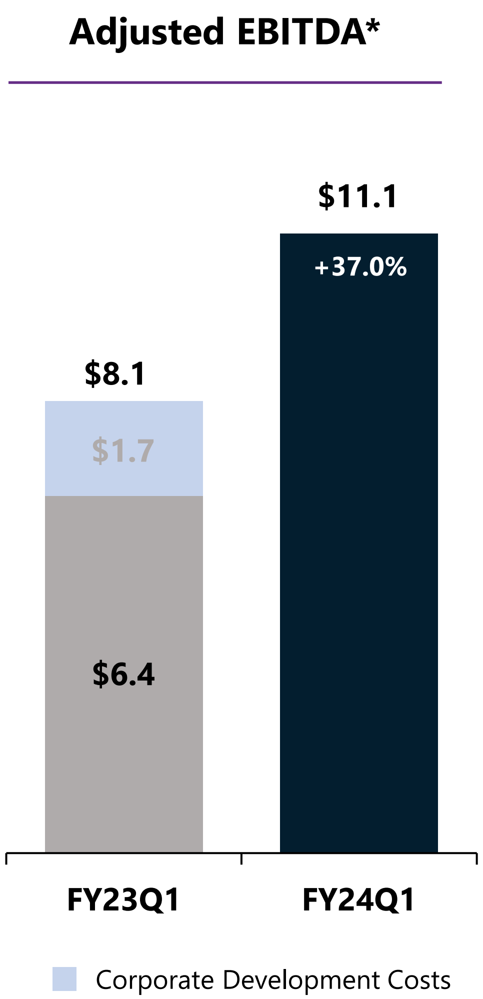


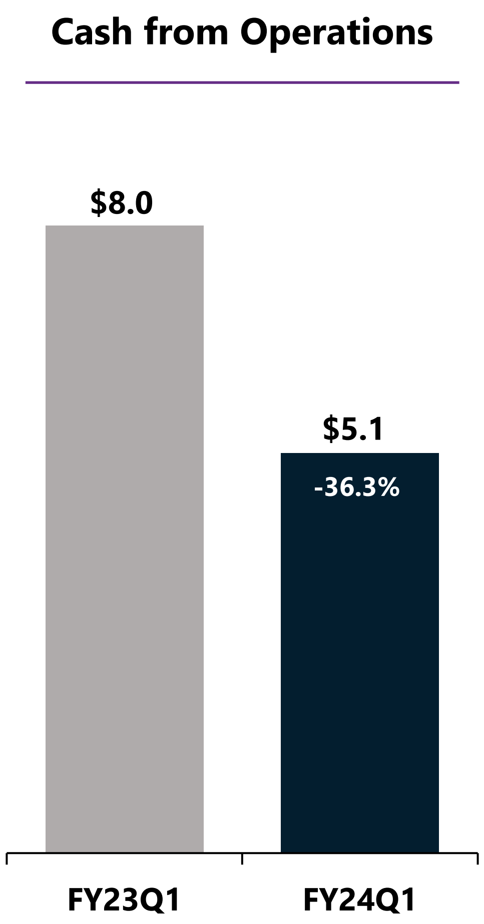
Department of Health and Human Services
- Administration for Children and Families
- Centers for Disease Control and Prevention
- National Institutes for Health

Department of Veterans Affairs
- Veterans Health Administration

Recent Key Financial Results ($ in millions)





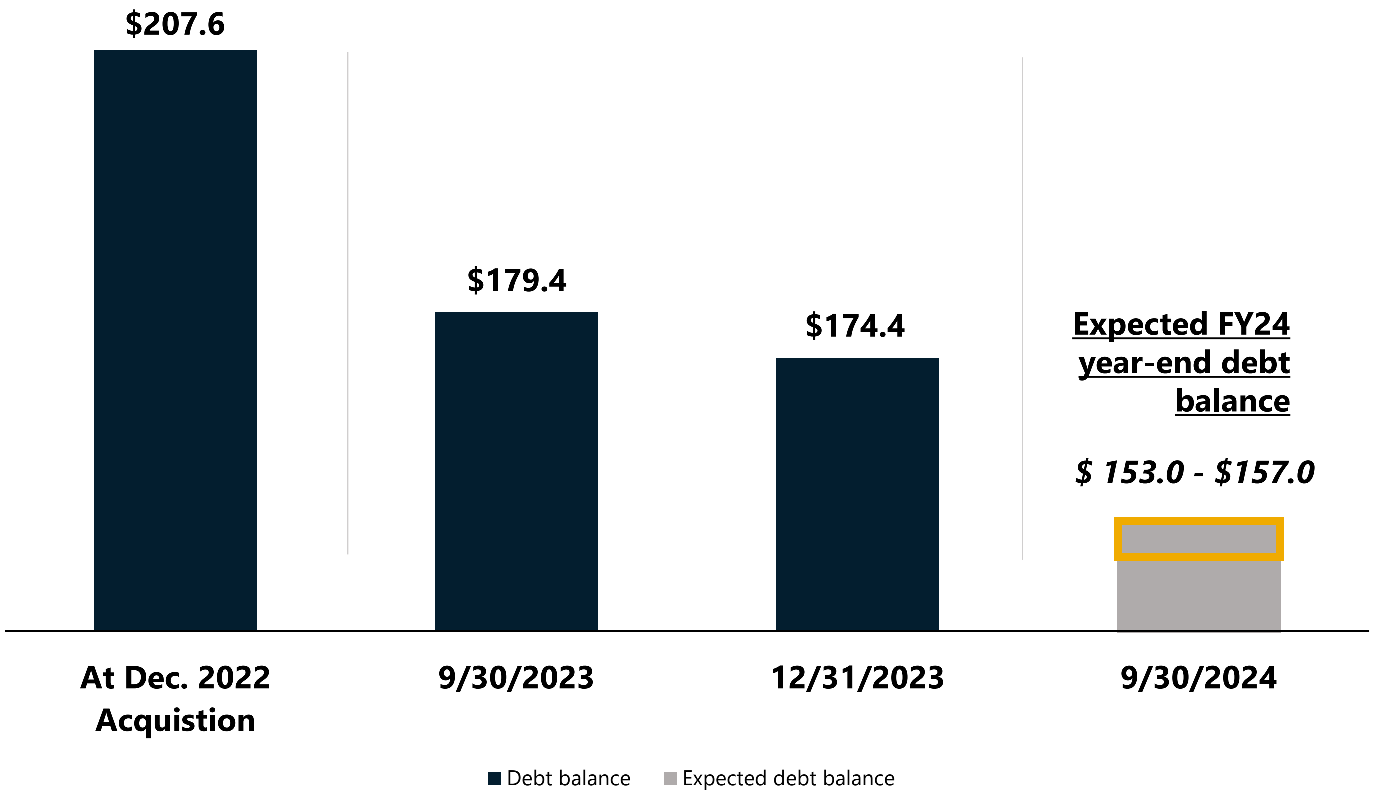


- Revenue growth principally due to the contribution from the December 2022 acquisition offset by completion of COVID-19 related projects and service delivery timing of performance-based logistics programs
- Fiscal 2023 Q1 EBITDA impacted by **$1.7 million** of corporate development costs. Growth in Fiscal 2024 Q1 principally due to the contribution from the December 2022 acquisition
- Cash from operations reduced by an increase in working capital due to payment timing of key vendors

*See non-GAAP reconciliation in the appendix to this presentation.

Capital Allocation Model ($ in millions)

Q1 voluntary prepayments of $5.0M; all applied to floating rate debt



Cash interest savings from voluntary prepayments on debt offset moderate increases in interest rates

- Significant cash generation through optimizing cash collections resulting in DSO of 51 days
  - *Industry Peer Group average: 61 days*
- We have satisfied all mandatory payments on term debt through fiscal 2024
- Continue to utilize voluntary prepayments to reduce future cash interest and achieve debt leverage ratio of below 3.5x by the end of fiscal 2024

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Questions?

Thank you!

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Appendix

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Non-GAAP Reconciliations

This document contains non-GAAP financial information including Adjusted Revenue, EBITDA, EBITDA Margin, Adjusted EBITDA, and Adjusted EBITDA Margin on Adjusted Revenue. These 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 and operating income as measures of operating results, each as defined under GAAP. We have defined these non-GAAP measures as follows:

"Adjusted Revenue" represents revenue less the contribution to revenue from the short-term FEMA task orders

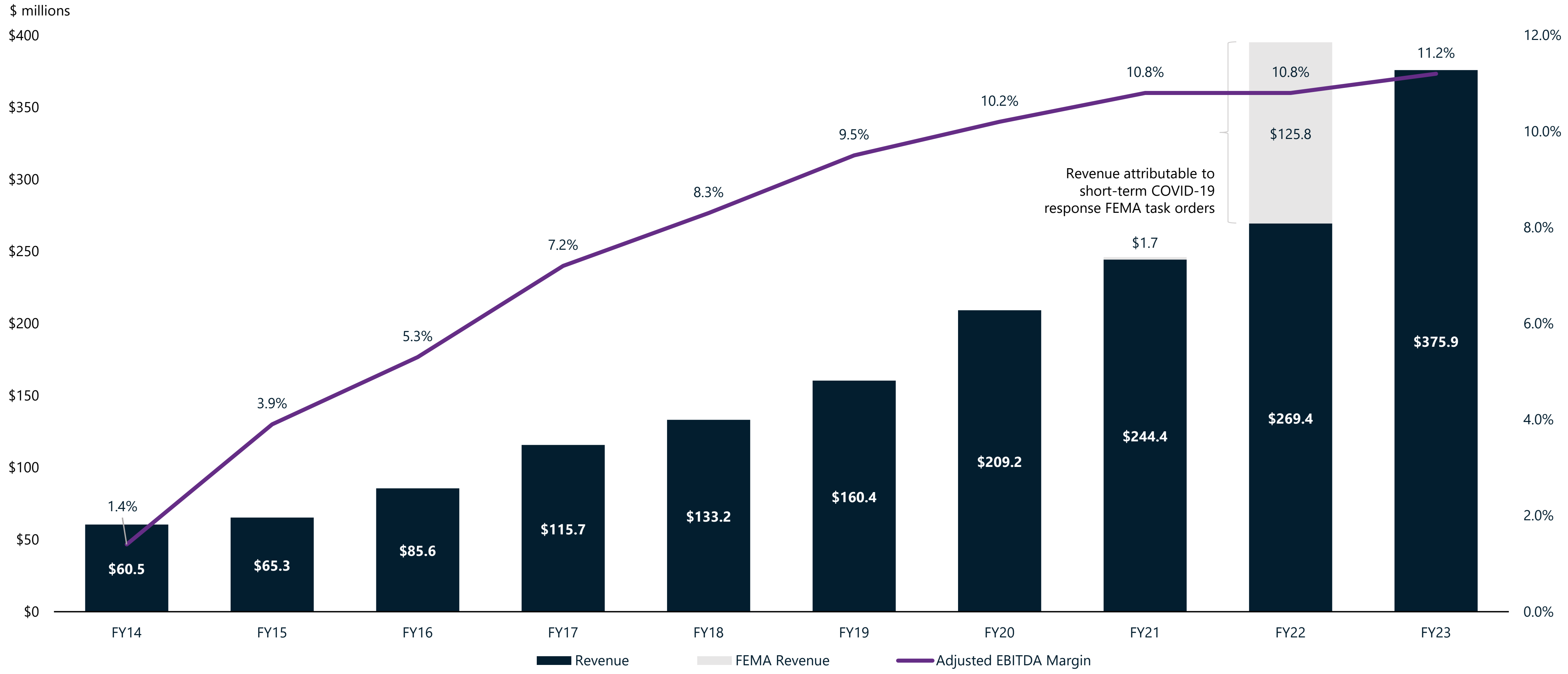
"EBITDA" represents net income excluding (i) interest expense, (ii) provision for or benefit from income taxes and (iii) depreciation and amortization

"EBITDA Margin" represents EBITDA for the measurement period divided by revenue for the same period

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

"Adjusted EBITDA Margin on Adjusted Revenue" is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Historical Results



Reconciliation of Trending EBITDA

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(amount in thousands)	Twelve Months Ended September 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net (loss)/income	$ 5,357	$ 8,728	$ 3,384	$ 3,288	$ 1,836	$ 5,324	$ 7,114	$ 10,145	$23,288	$1,461
(i) Interest expense/other (income)	4	(744)	823	1,228	1,116	2,473	3,441	3,784	2,215	16,271
(ii) (Benefit)/provision for taxes	(4,597)	(5,488)	(938)	2,114	5,830	2,171	2,906	3,294	7,775	(641)
(iii) Depreciation and amortization	106	55	1,244	1,754	2,242	3,956	7,003	8,115	7,665	15,562
EBITDA	$ 870	$ 2,551	$ 4,513	$ 8,384	$11,024	$13,924	$20,464	$25,338	$40,943	$32,653
Corporate Development Costs	-	-	-	-	-	1,391	930	1,088	614	1,735
Impairment on long lived assets	-	-	-	-	-	-	-	-	-	7,673
Less: FEMA task orders to support Alaska[1]	-	-	-	-	-	-	-	-	12,479	-
Adjusted EBITDA	$ 870	$ 2,551	$ 4,513	$ 8,384	$11,024	$15,315	$21,394	$26,426	$29,078	$42,061
Revenue	$60,493	$65,346	$85,602	$115,662	$133,236	$160,391	$209,185	$246,094	$395,173	$375,872
Less: FEMA task orders to support Alaska	-	-	-	-	-	-	-	$1,737	$125,773	-
Adjusted Revenue	$60,493	$65,346	$85,602	$115,662	$133,236	$160,391	$209,185	$244,357	$269,400	$375,872
Net income Margin	8.9%	13.4%	4.0%	2.8%	1.4%	3.3%	3.4%	4.1%	5.9%	0.4%
EBITDA Margin	1.4%	3.9%	5.3%	7.2%	8.3%	8.7%	9.8%	10.3%	10.4%	8.7%
Adj. EBITDA Margin on Adjusted Revenue	1.4%	3.9%	5.3%	7.2%	8.3%	9.5%	10.2%	10.8%	10.8%	11.2%

[1]Represents operating income attributable to FEMA task orders.

Reconciliation of Adj. EBITDA

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	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Change	Twelve Months Ended September 30, 2023	Twelve Months Ended September 30, 2022	Change
Adjusted Revenue						
Revenue	$101,476	$ 67,233	$ 34,243	$375,872	$395,173	$(19,301)
Less: FEMA task orders to support Alaska (a)	—	—	—	—	125,773	(125,773)
Adjusted Revenue	$101,476	$ 67,233	$ 34,243	$375,872	$269,400	$106,472
Adjusted Operating Income						
Operating Income	$ 112	$ 4,691	$ (4,579)	$ 17,091	$ 33,278	$(16,187)
Impairment loss of long-lived asset (c)	7,673	—	7,673	7,673	—	7,673
Corporate development costs (b)	—	364	(364)	1,735	614	1,121
Less: FEMA task orders to support Alaska (d)	—	—	—	—	12,479	(12,479)
Adjusted Operating Income	$ 7,785	$ 5,055	$ 2,730	$ 26,499	$ 21,413	$ 5,086
Adjusted Net income (e)						
Net Income	$ (2,630)	3,442	$ (6,072)	$ 1,461	23,288	$ (21,827)
Impairment loss of long-lived asset (c)	7,673	—	7,673	7,673	—	7,673
Corporate development costs (b)	—	364	(364)	1,735	614	1,121
Less: FEMA task orders to support Alaska (d)	—	—	—	—	12,479	(12,479)
Adjustment for tax effect (g)	(2,714)	(67)	(2,647)	(2,993)	3,007	(6,000)
Adjusted Net Income	$ 2,329	$ 3,739	$ (1,410)	$ 7,876	$ 14,430	$ (6,554)
Adjusted Diluted Earnings Per Share (f)						
Weighted average diluted shares outstanding	14,579	14,307	272	14,431	14,179	252
Diluted earnings per share	(0.18)	0.24	(0.42)	0.10	1.64	(1.54)
Adjusted Diluted Earnings Per Share	0.16	0.26	(0.10)	0.55	1.01	(0.46)
EBITDA, Adjusted EBITDA, EBITDA Margin on Revenue & Adjusted EBITDA Margin on Adjusted Revenue						
Net Income	$ (2,630)	$ 3,442	$ (6,072)	$ 1,461	$ 23,288	$(21,827)
Interest expense	4,760	477	4.283	15,562	2,215	13,347
Depreciation and amortization	4,281	1,926	2,355	16,271	7,665	8,606
Provision for income taxes	(2,018)	772	(2,790)	(641)	7,775	(8,416)
EBITDA	$ 4,393	$ 6,617	$ (2,224)	$ 32,653	$ 40,943	$ (8,290)
Corporate development costs (b)	—	364	(364)	1,735	614	1,121
Impairment loss of long-lived asset (c)	7,673	—	7,673	7,673	—	7,673
Less: FEMA task order to support Alaska (d)	—	—	—	—	12,479	(12,479)
Adjusted EBITDA	$ 12,066	$ 6,981	$ 5,085	$ 42,061	$ 29,078	$ 12,983
Net income margin on Revenue	(2.6) %	5.1 %		0.4 %	5.9 %	
EBITDA Margin on Revenue	4.3 %	9.8 %		8.7 %	10.4 %	
Adjusted EBITDA Margin on Adjusted Revenue	11.9 %	10.4 %		11.2 %	10.8 %	

(a): Represents revenue adjusted to exclude revenue from the short-term FEMA task orders during the fiscal year ended September 30, 2022.

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

(c): Represents impairment loss of certain long-lived real estate assets associated with a reduction of the fair value of an assets 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.

(d):Adjusted operating income represents the Company's consolidated operating income, determined in accordance with GAAP, adjusted to add the corporate development costs associated with the GRSi acquisition for fiscal year 2023 to reflect the impairment loss of certain real estate assets and adjusted to exclude the operating income derived from the FEMA task orders. Operating income for the FEMA task orders for the fiscal year ended September 30, 2022 is derived by subtracting from the revenue attributable to the tasks orders of $125.8 million the following amounts associated with such task orders: contract costs $112.1 million and general & administrative costs of $1.2 million.

(e) Adjusted net income represents the Company's consolidated net income, determined in accordance with GAAP, adding back the impairment loss of long-lived assets and corporate development costs as defined, less the net income derived from the FEMA task orders. There was no net income derived from the FEMA task orders during the fiscal year ended September 30, 2023. For the fiscal year ended September 30, 2022 net income for the FEMA task orders is derived by subtracting from the revenue attributable to the tasks orders of $125.8 million the following amounts associated with such task orders: contract costs of $112.1 million, general & administrative costs of $1.2 million, and provision for income taxes of $3.2 million.

(f) Adjusted diluted earnings per share (adjusted diluted EPS) is calculated by adding back the effect on the Company's diluted EPS determined in accordance with GAAP, of the impairment loss of long-lived assets and corporate development costs as defined, as well as their tax effect as defined, and subtracting the effect on diluted EPS for the FEMA task orders.

(g) Tax effect is the impact the tax expense per the tax provision

EBITDA and Adjusted EBITDA Reconciliation

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	Three Months Ended December 31,		
(in thousands)	2023	2022	Change
Net income	$2,151	$1,547	$604
Interest expense, net	4,658	1,830	2,828
Income tax expense	10	544	(534)
Depreciation and amortization	4,253	2,402	1,851
EBITDA	$11,072	$6,323	$4,749
Corporate development costs	--	1,735	(1,735)
Adjusted EBITDA	$11,072	$8,058	$3,014

DLH