FY2023 First Quarter Earnings Presentation:

Three Months Ended 12.31.2022

FEBRUARY 9, 2023

CALL PARTICIPANTS

Zach Parker
President and CEO

Kathryn JohnBull
Chief Financial Officer

Forward-Looking Statements

“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: the impact of the novel coronavirus (“COVID-19”), 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 risk that we will not realize the anticipated benefits of our acquisition of GRSi or any other acquisitions (including anticipated future financial performance and results); the diversion of management’s attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from our recent acquisition; 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 ability to successfully integrate the operations of GRSi or any future acquisitions; 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, 2022, 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.

Financial Highlights

REVENUE

$72.7M

OPERATING INCOME

$3.9M

EBITDA[1]

$6.3M

TERM LOAN

$203.4M

Reflects acquisition of GRSi

BACKLOG

$942.7M

As of December 31, 2022

DILUTED EPS

$0.11

[1]A reconciliation of EBITDA is available on slide16.

GRSi Acquisition Illustrates Strength of Strategic Vision

SUBSTANTIALLY EXPANDS OUR DIGITAL TRANSFORMATION & CYBERSECURITY SOLUTIONS TO SUPPORT NATIONALLY-RECOGNIZED PUBLIC HEALTH SCIENTIFIC SYSTEMS RESEARCH AS WELL AS MISSION-CRITICAL SYSTEMS ENGINEERING & INTEGRATION

Expands digital solution set, with capabilities in data analytics, AI/ML, system modernization, engineering, cyber, cloud computer

+

Highly credentialed workforce with best and brightest technology leaders

+

Provides access to national security market, bolsters presence public health

=

COMBINED ENTERPRISE EXPECTED TO YIELD A NEW BUSINESS PIPELINE THAT PROVIDES SIGNIFICANT POTENTIAL FOR FUTURE GROWTH

COMBINED BACKLOG OF APPROXIMATELY $1 BILLION AT DEAL CLOSE

PROFORMA EBITDA APPROACHING $50M FOR FY23

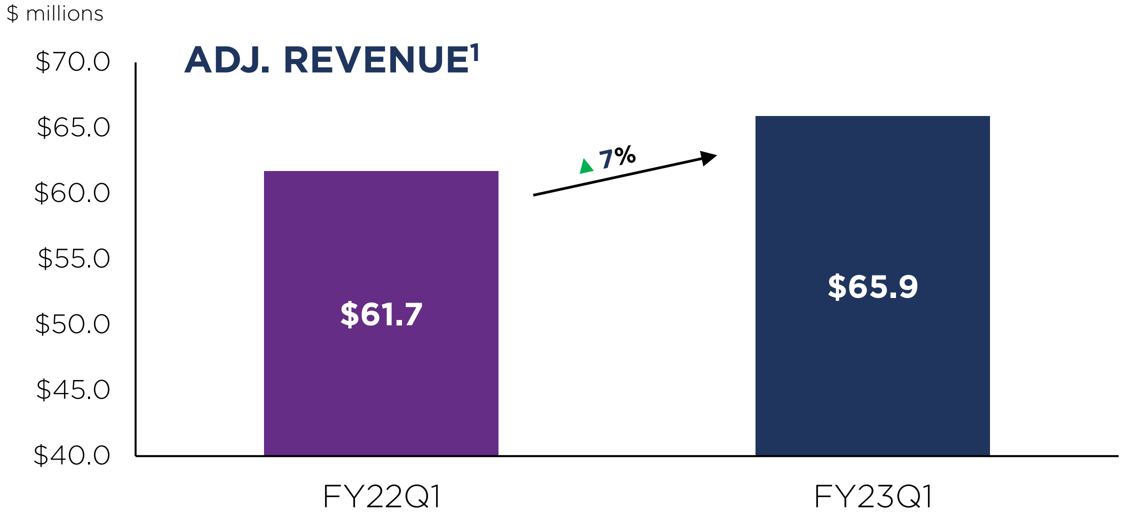
FINANCIALS

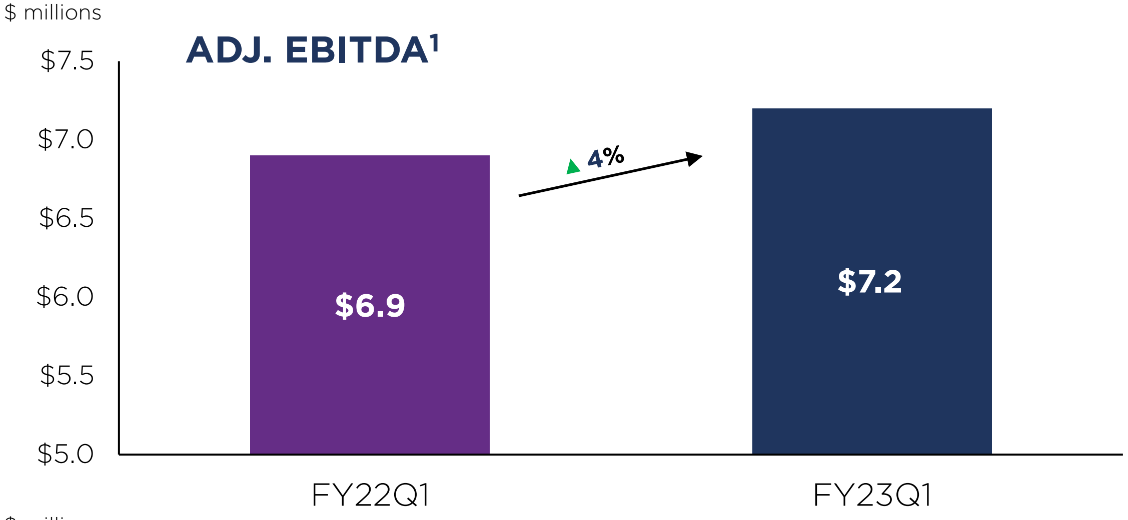
Key Financial Results

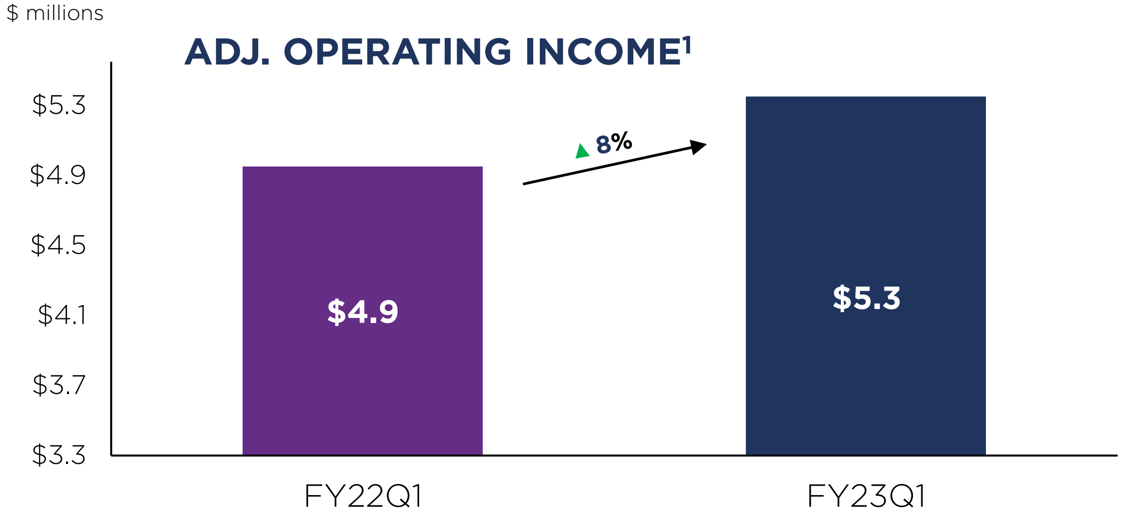
	FY23Q1	FY22Q1
Revenue	$72.7 million	$152.8 million
Adjusted Revenue[1]	$65.9 million	$61.7 million
EBITDA	$6.3 million	$13.2 million
Adjusted EBITDA[1]	$7.2 million	$6.9 million
Operating Income	$3.9 million	$11.2 million
Adjusted Operating Income[1]	$5.3 million	$4.9 million
Diluted EPS	$0.11	$0.55
Adjusted Diluted EPS[1]	$0.25	$0.22

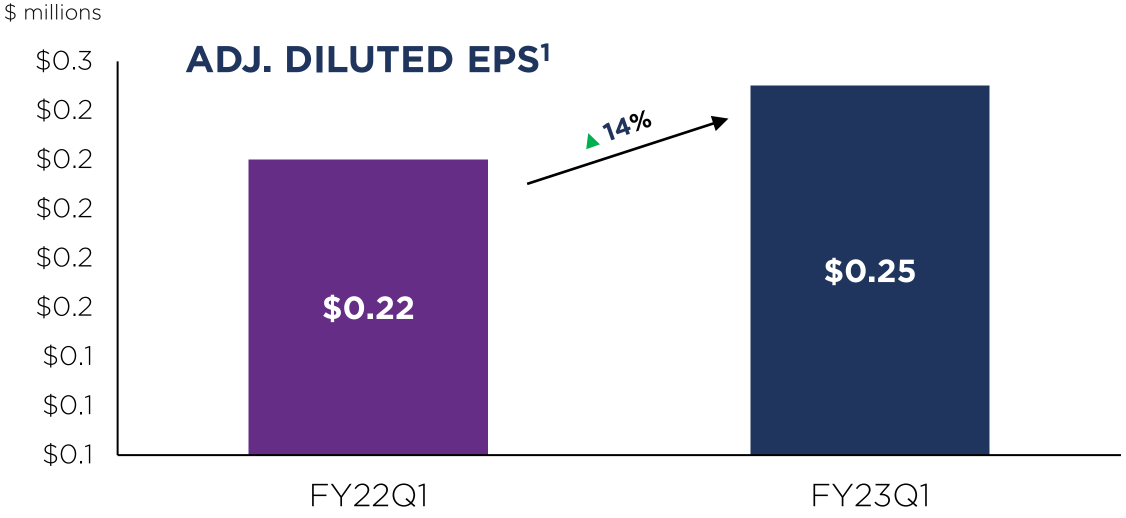
[1]A reconciliation of Adjusted Revenue, EBITDA, Adjusted EBITDA, Adjusted Operating Income, and Adjusted Diluted Earnings Per Share to the most directly comparable financial measure calculated and presented in accordance with GAAP is available on slide 16.

Key Adjusted Financial Metrics



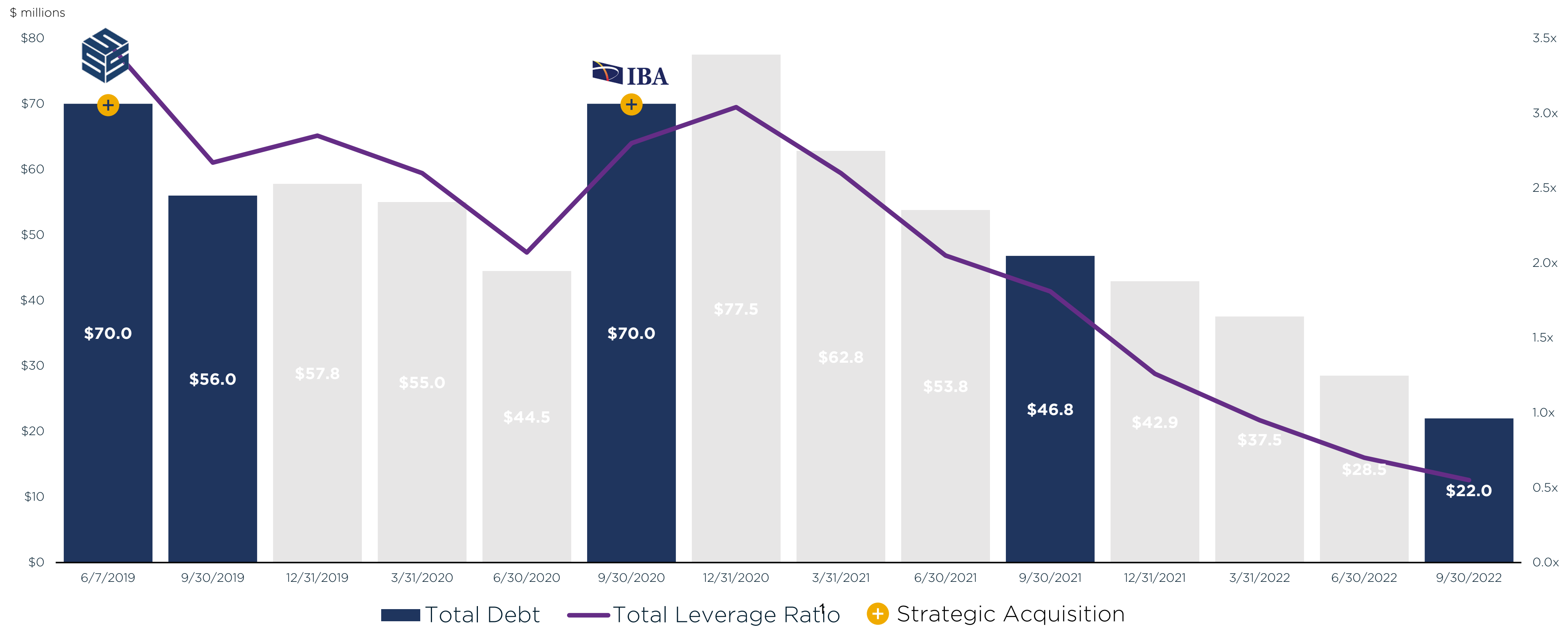






[1]A reconciliation of Adjusted Revenue, Adjusted EBITDA, Adjusted Operating Income, and Adjusted Diluted Earnings Per Share to the most directly comparable financial measure calculated and presented in accordance with GAAP is available on slide 16.

Track Record of Deploying Cash Flow to Pay Down Debt

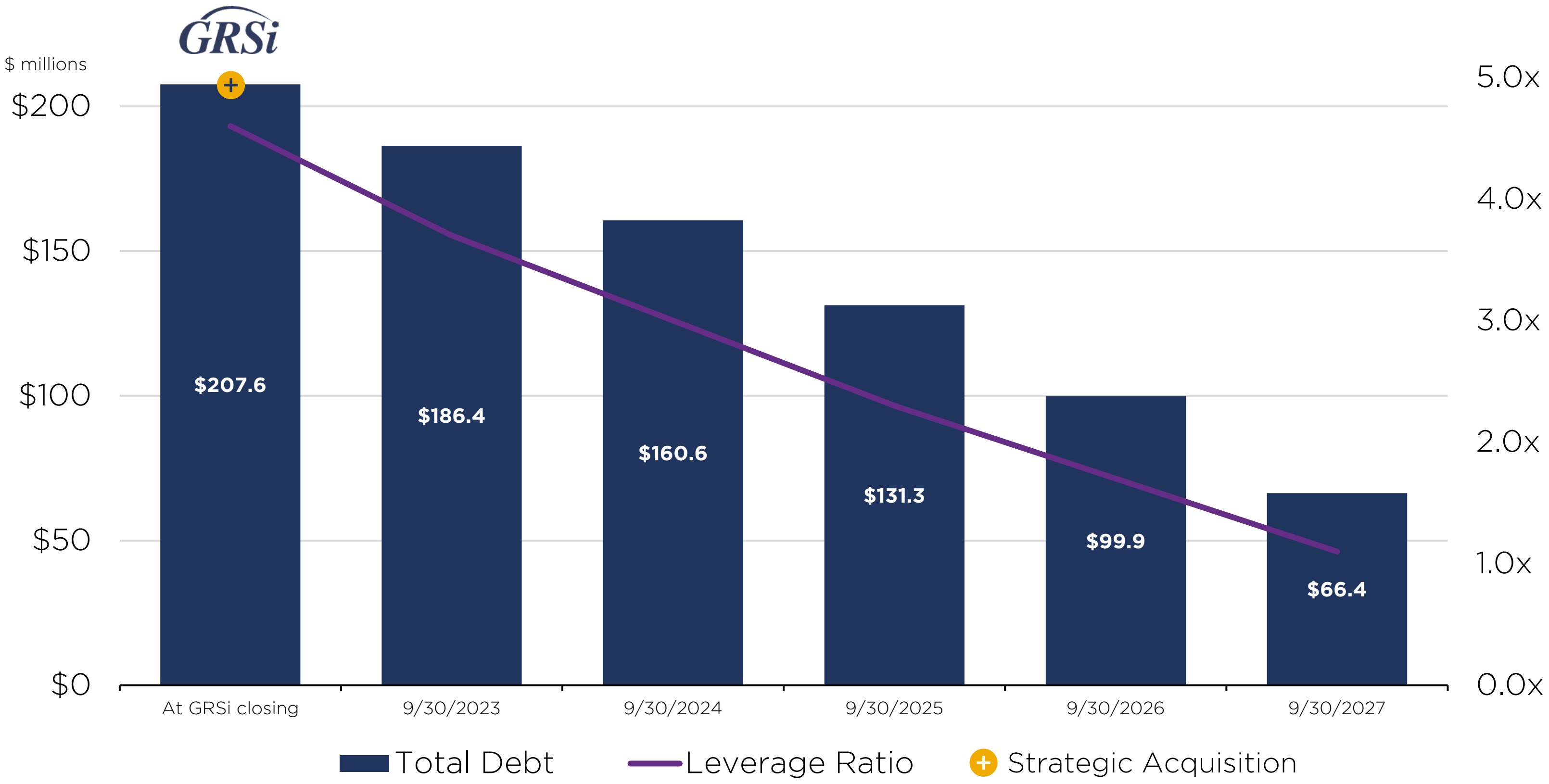


The Company has effectively deployed its cash flow to aggressively pay down debt, which provided capacity to add GRSi to the corporate portfolio

[1] A reconciliation of the Total Leverage Ratio is included on slide 17.

Debt/Leverage Model for Recent Acquisition

FY2023 - 2027



Assumes mandatory payments and additional required payments of 75% of excess cash flow as required in our credit agreement and a conservative 5-6% annual growth rates used in financing model. Accelerated growth is expected to enhance EBTIDA and support further debt reduction.

A reconciliation of the leverage ratio for each of the periods indicated above is available on slide 18.

Our credit facility maturity date is December 8, 2027.

APPENDIX

Non-GAAP Reconciliations

This document contains non-GAAP financial information including Adjusted Revenue, Adjusted Operating Income, Adjusted Net Income, Adjusted Diluted Earnings Per Share, EBITDA, Adjusted EBITDA, EBITDA Margin on Revenue, and Adjusted EBITDA Margin on Adjusted Revenue 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, net income or diluted EPS, 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 and the contribution to revenue from GRSi for the period following the closing of the acquisition.

"Adjusted Operating Income" represents operating income less the contribution from GRSi, including the corporate and incremental borrowing costs associated with completing the acquisition, as well as the FEMA task orders.

"Adjusted Net Income" represents net income less the contribution from GRSi, including the corporate and incremental borrowing costs associated with completing the acquisition, as well as the FEMA task orders.

"Adjusted Diluted EPS" represents diluted EPS calculated using Adjusted Net Income as opposed to net income.

"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 contribution from GRSi, including the corporate and incremental borrowing costs associated with completing the acquisition, as well as the FEMA task orders. "Adjusted EBITDA Margin on Adjusted Revenue" is calculated as Adjusted EBITDA divided by Adjusted Revenue.

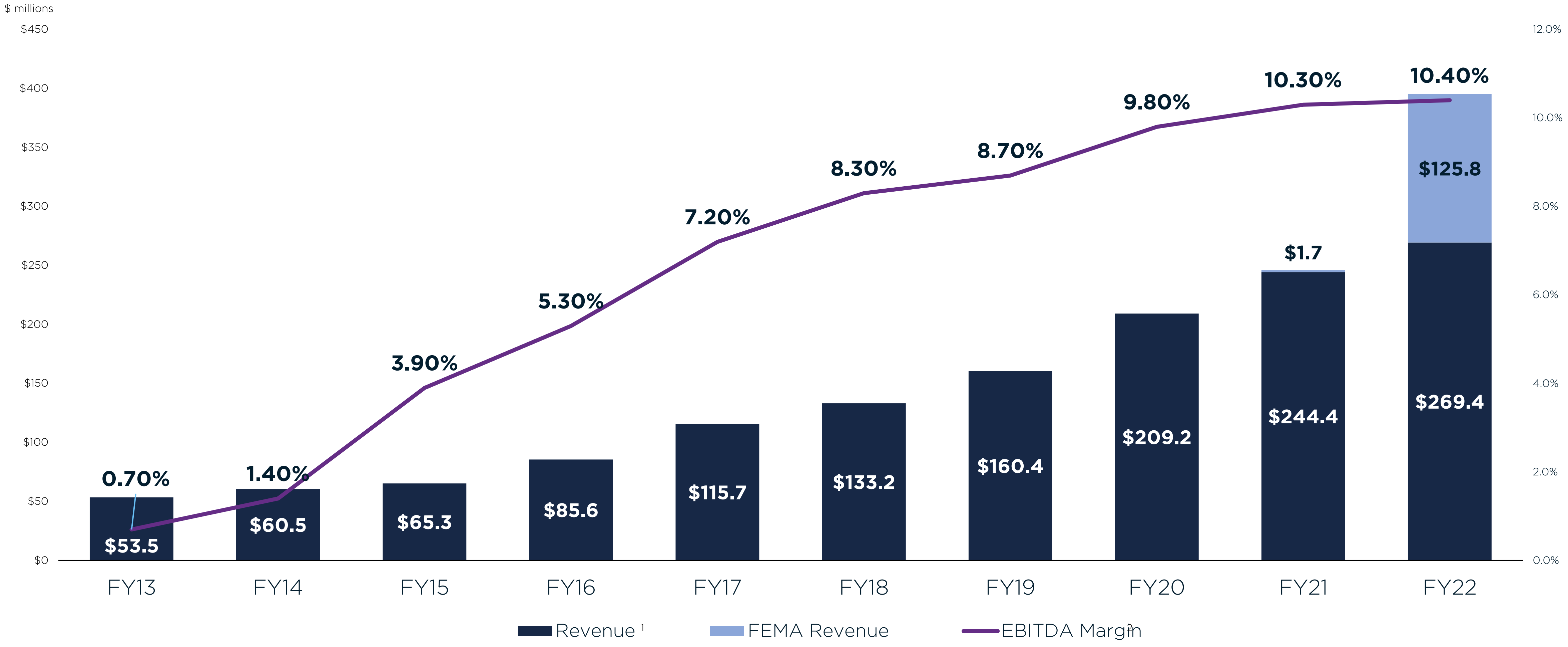
Debt Covenant

We are also including Total Leverage Ratio in this presentation. Total Leverage Ratio is used for the purpose of testing the Maximum Total Leverage Ratio covenant in our Second Amended and Restated Credit Agreement dated December 8, 2022 (the "Credit Agreement"), which provides for a maximum total leverage ratio from 4.50 to 2.00 for all periods commencing from closing date through the term of the loan. Management considers the Total Leverage Ratio to be an important indicator of the Company's ability to incur additional debt, its ability to service existing debt and the extent of our compliance with the leverage covenant in the Credit Agreement. We believe that analysts and investors use this metric to assess the Company's ability to service existing debt and our liquidity, generally. The reconciliation of the Total Leverage Ratio is presented in the appendix to this presentation. As used in this presentation, Total Leverage Ratio, which is not calculated in accordance with GAAP, is defined as total debt as of the respective date(s) presented herein, divided by Consolidated EBITDA for the period(s) then ended. Total Leverage Ratio and Consolidated EBITDA are calculated in accordance with the Credit Agreement.

Non-GAAP Projections

In this presentation we include projected EBITDA, a non-GAAP financial measure. Due the forward-looking nature of this measure, reconciliations of projected EBITDA to the comparable GAAP measure are not available without unreasonable effort and are excluded from this presentation. This is due to the inherent difficulty of forecasting the amount of the necessary reconciling items that would impact the most directly comparable forward-looking GAAP financial measure. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.

Historical Revenue



[1] Revenue for FY21 and FY22 consists of total revenue as reported by the Company less the revenue attributable to the FEMA task orders.
[2] A reconciliation of EBITDA Margin to Net Income Margin is included on slide 15.

Trending EBITDA Reconciliation

(amount in thousands)	Twelve Months Ended September 30,									
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Net (loss)/income	$ (159)	$ 5,357	$ 8,728	$ 3,384	$ 3,288	$ 1,836	$ 5,324	$ 7,114	$ 10,145	$23,288
(i) Interest expense/other (income)	407	4	(744)	823	1,228	1,116	2,473	3,441	3,784	2,215
(ii) (Benefit)/provision for taxes	-	(4,597)	(5,488)	(938)	2,114	5,830	2,171	2,906	3,294	7,775
(iii) Depreciation and amortization	121	106	55	1,244	1,754	2,242	3,956	7,003	8,115	7,665
EBITDA	$ 369	$ 870	$ 2,551	$ 4,513	$ 8,384	$11,024	$13,924	$20,464	$25,338	$40,943
Revenue	$53,506	$60,493	$65,346	$85,602	$115,662	$133,236	$160,391	$209,185	$246,094	$395,173
Net income Margin	-0.3%	8.9%	13.4%	4.0%	2.8%	1.4%	3.3%	3.4%	4.1%	5.9%
EBITDA Margin	0.7%	1.4%	3.9%	5.3%	7.2%	8.3%	8.7%	9.8%	10.3%	10.4%

Reconciliation of Non-GAAP Financial Results

	Three Months Ended December 31,	
	2022	2021
Adjusted Revenue		
Revenue	$ 72,738	$ 152,801
Less: acquired revenue (a)	6,878	—
Less: FEMA task orders to support Alaska (b)	—	91,125
Adjusted Revenue	$ 65,860	$ 61,676
Adjusted Operating Income		
Operating Income	$ 3,921	$ 11,219
Corporate development costs (c)	1,735	—
Less: acquired operating income (a)	346	—
Less: FEMA task orders to support Alaska (b)	—	6,346
Adjusted Operating Income	$ 5,310	$ 4,873
Adjusted Net Income		
Net income	$ 1,547	$ 7,804
Corporate development costs (c)	1,735	—
Incremental financing costs (d)	1,352	—
Less: acquired operating income (a)	346	—
Less: FEMA task orders to support Alaska (b)	—	6,346
Adjustments for tax effect (e)	(713)	(1,650)
Adjusted Net Income	$ 3,575	$ 3,108
Adjusted Diluted earnings per share		
Weighted average diluted shares outstanding	14,276	14,295
Diluted earnings per share	$ 0.11	$ 0.55
Adjusted net income per diluted share	$ 0.25	$ 0.22
EBITDA, Adjusted EBITDA, EBITDA Margin on Revenue & Adjusted EBITDA Margin on Adjusted Revenue		
Net Income	$ 1,547	$ 7,804
Depreciation and amortization	2,402	1,985
Interest expense	1,830	672
Provision for income taxes	544	2,743
EBITDA	$ 6,323	$ 13,204
Corporate development costs (c)	1,735	—
Less: acquired EBITDA (f)	858	—
Less: FEMA task order to support Alaska (b)	—	$ 6,346
Adjusted EBITDA	$ 7,200	$ 6,858
Net income margin on Revenue	2.1 %	5.1 %
EBITDA Margin on Revenue	8.7 %	8.6 %
Adjusted EBITDA Margin on Adjusted Revenue	10.9 %	11.1 %

(a): Represents the operating results for GRSi following the closing of the acquisition on December 8, 2022 to December 31, 2022 Operating income for GRSi is derived by subtracting from the revenue attributable to GRSi following the closing of the acquisition during the three months ended December 31, 2022 of $6.9 million the following amounts associated with GRSi: contract costs of $5.4 million, general & administrative costs of $0.7 million, amortization expense of $0.5 million

(b): Represents the operating results for the FEMA task orders during the during three months ended December 31, 2021. Operating income for the FEMA task orders is derived by subtracting from the revenue attributable to such task orders during the three months ended December 31, 2021 of $91.1 million the following amounts associated with such task orders: contract costs of $84.2 million and general & administrative costs of $0.6 million.

(c): 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.

(d): Incremental interest expense incurred following the completion of the GRSi acquisition on December 8, 2022.

(e): Reflects the tax effect of adjustments at the effective tax rate of 26%, which approximates our blended federal and state tax rates.

(f): Reflects operating income of GRSi following the closing of the acquisition of $0.4 million and depreciation and amortization expense of $0.5 million.

Reconciliation of Leverage Ratio

$ millions	6/7/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/30/2021	3/31/2022	6/30/2022	9/30/2022
Term Loan[1]	$ 70.0	$ 56.0	$ 56.0	$ 53.0	$ 44.5	$ 70.0[1]	$ 68.3	$ 62.8	$ 53.8	$ 46.8	$ 42.9	$ 37.5	$ 28.5	$ 22.0
Revolving Credit Loan	-	-	1.8	2.0	-	-	9.2	-	-	-	-	-	-	-
Letters of Credit	-	1.7	1.7	1.7	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Total Funded Debt	$ 70.0	$ 57.7	$ 59.5	$ 56.7	$ 46.5	$ 72.0	$ 79.4	$ 64.7	$ 55.9	$ 48.8	$ 45.0	$ 39.6	$ 30.6	$ 24.1
Consolidated EBITDA	$ 20.2	$ 21.7	$ 20.9	$ 21.8	$ 22.5	$ 25.7	$ 26.1	$ 26.5	$ 27.3	$ 28.1	$ 35.6	$ 41.5	$ 44.0	$ 44.2
Total Leverage Ratio	3.5	2.7	2.8	2.6	2.1	2.8	3.0	2.4	2.0	1.7	1.3	1.0	0.7	0.5

[1]The term loan balance on September 30, 2020, includes $33 million used to complete the acquisition of Irving Burton Associates, LLC

Reconciliation of Projected Leverage Ratio

$ millions	At GRSi closing	9/30/23	9/30/24	9/30/25	9/30/26	9/30/27
Total Debt	$210.0	$186.4	$160.6	$131.3	$99.9	$66.4
Consolidated EBITDA[1]	57.6	50.0	53.2	55.9	58.6	61.3
Less: FEMA Task Orders	**(12.5)**	**-**	**-**	**-**	**-**	**-**
Adjusted Consolidated EBITDA[2]	**45.1**	**50**	**53.2**	**55.9**	**58.6**	**61.3**
Leverage ratio[3] on Consolidated EBITDA	**3.6**	**3.7**	**3.0**	**2.3**	**1.7**	**1.1**
Leverage ratio[3] on Adjusted Consolidated EBITDA	**4.6**	**3.7**	**3.0**	**2.3**	**1.7**	**1.1**

[1] Consolidated EBITDA is as defined in our credit agreement
[2] Adjusted Consolidated EBTIDA represents Consolidated EBITDA less the EBITDA contribution from the FEMA task orders
[3] Leverage ratio represents total debt divided by Consolidated EBITDA or Adjusted Consolidated EBITDA

About DLH

DLH enhances public health and national security readiness missions through science, technology, cyber, and engineering solutions and services. The Company’s experts solve some of most complex and critical missions faced by the federal government, leveraging digital transformation, artificial intelligence, advanced analytics, cloud-based applications, telehealth systems, and more. With over 3,200 employees dedicated to the idea that “Your Mission is Our Passion,” DLH brings a unique combination of government sector experience, proven methodology, and unwavering commitment to public health to improve the lives of millions.