FY2023 Fourth Quarter Earnings Presentation:
Three & Twelve Months Ended 9.30.2023

December 7, 2023

CALL PARTICIPANTS

Zach Parker
President and CEO

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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, 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.

Non-GAAP Measures

This document contains non-GAAP financial information including Adjusted Revenue, Adjusted Operating Income, Adjusted Net Income, Adjusted Diluted Earnings Per Share (“EPS”), EBITDA, Adjusted EBITDA, EBITDA Margin on Revenue, Adjusted EBITDA Margin on Adjusted Revenue, and Adjusted Cash from Operations. These non-GAAP measures are defined in the back of the presentation. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in assessing 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. For a reconciliation of non-GAAP measures to the comparable GAAP measures presented in this document, see the annexes at the back of this presentation.

Fiscal 2023 Financial Highlights

REVENUE

Q4 $101.5M

FY23 $375.9M

ADJ. OPERATING INCOME

Q4 $7.8M

FY23 $26.5M

ADJ. EBITDA

Q4 $12.1M

FY23 $42.1M

TERM LOAN

$179.4M

Reflects December 2022 acquisition

CASH FROM OPERATIONS

$31.0M

ADJ. DILUTED EPS

Q4 $0.16

FY23 $0.55

Year-End Market Conditions

Business organized around capability-based go-to-market strategy

Advanced solution set positions company to compete for high value opportunities as customer's utilization of professional services contracts continues to grow

Government civilian and defense organizations expand commitment to cybersecurity and AI

Emphasis aligns with DLH technology strength areas

Federal government continues to operate under Continuing Resolutions, restricting government agencies from issuing new contracts.

Several agencies limit funding pending budget certainty

Strategic priority GWAC/MAC IDIQs remain pending

Includes CBITS, CIO-SP4, OASIS+, and other high-value contract vehicles

FINANCIALS

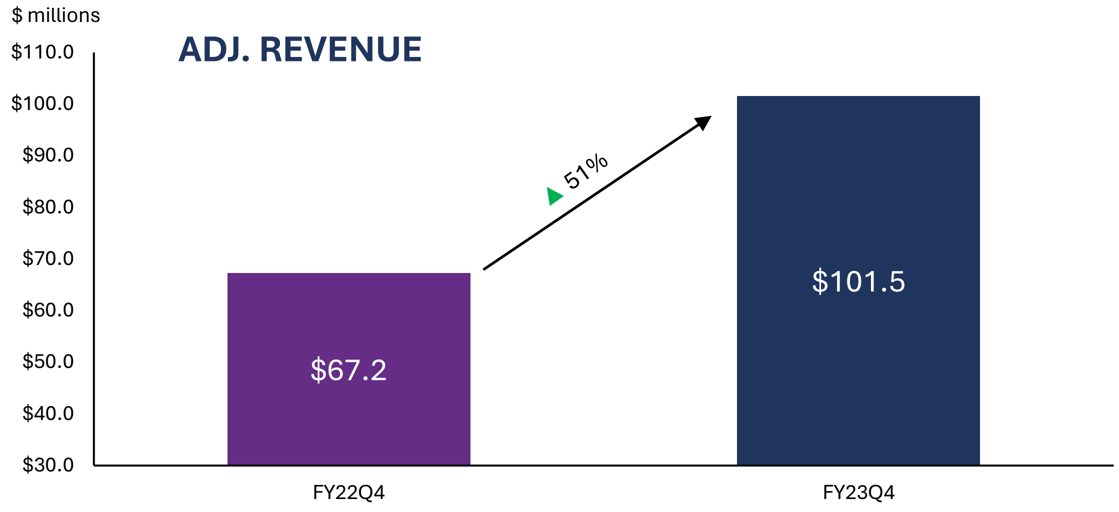
Key Financial Results

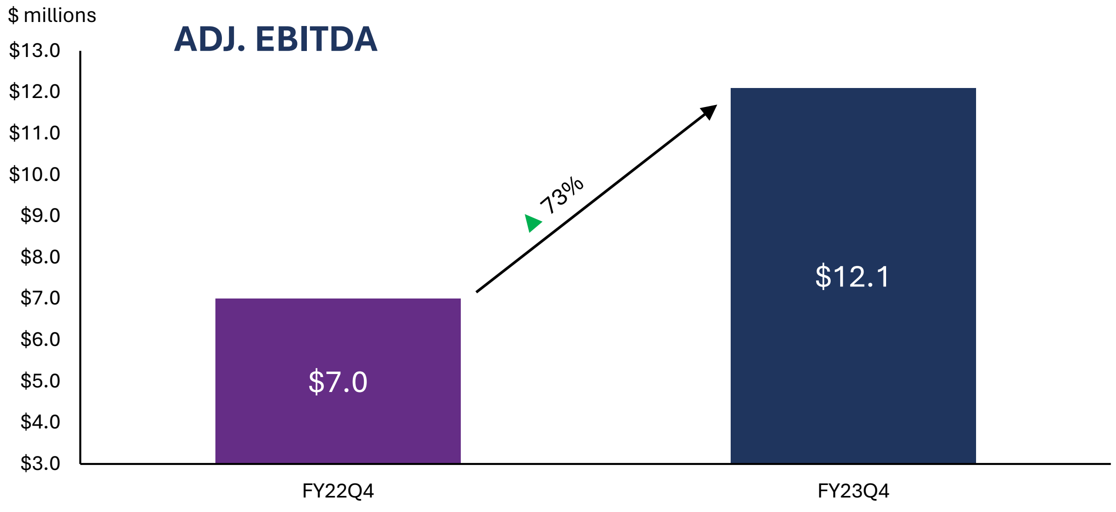
	FY23Q4	FY22Q4
Revenue	$101.5 million	$67.2 million
Adjusted Revenue	$101.5 million	$67.2 million
EBITDA	$4.4 million[1]	$6.6 million
Adjusted EBITDA	$12.1 million	$7.0 million
Operating Income	$0.1 million[1]	$4.7 million
Adjusted Operating Income	$7.8 million	$5.1 million

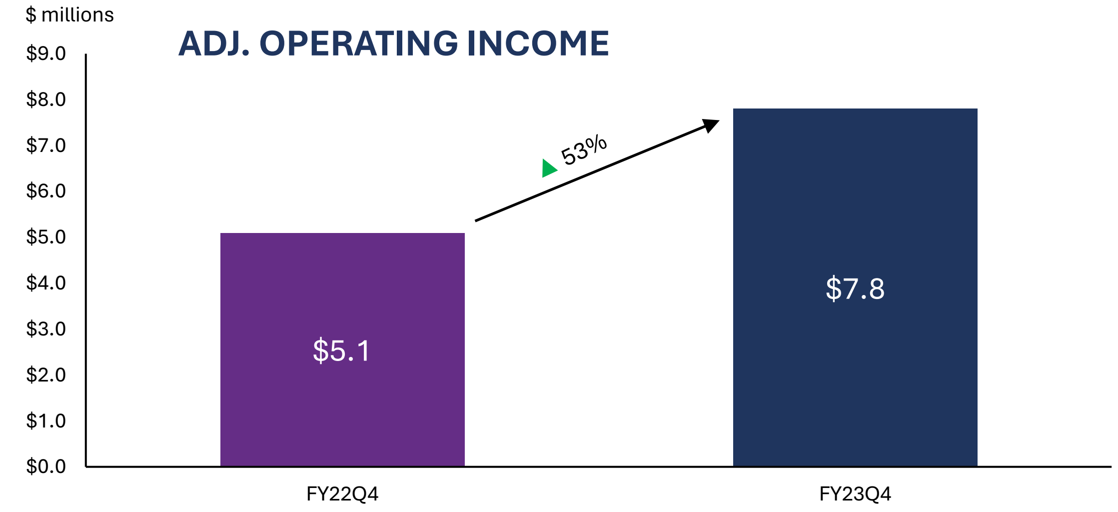
	FY23	FY22
Cash from Operations	$31.0 million	$1.2 million
Adjusted Cash from Operations	$31.0 million	$14.3 million

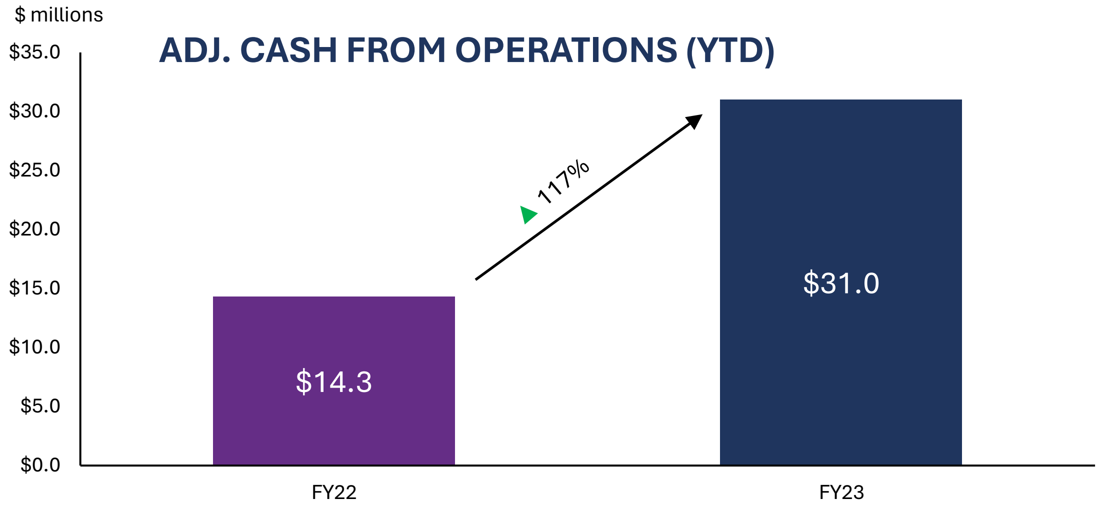
[1]Reflects impairment loss on the right of use asset of approximately $7.7 million.

Key Adjusted Financial Metrics



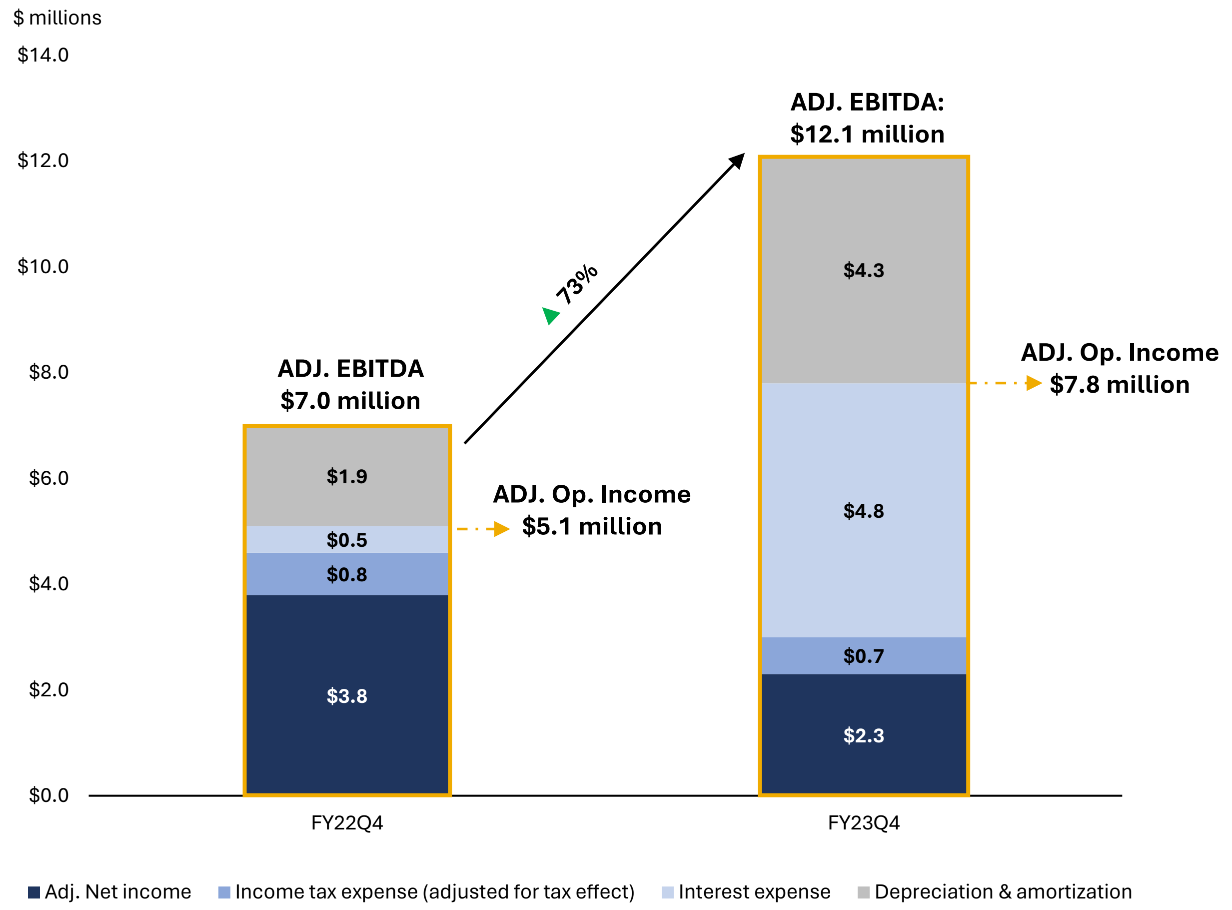






Analysis of Q4 Year over Year Results

Strong improvement in adjusted EBITDA offset by non-cash D&A and interest expense



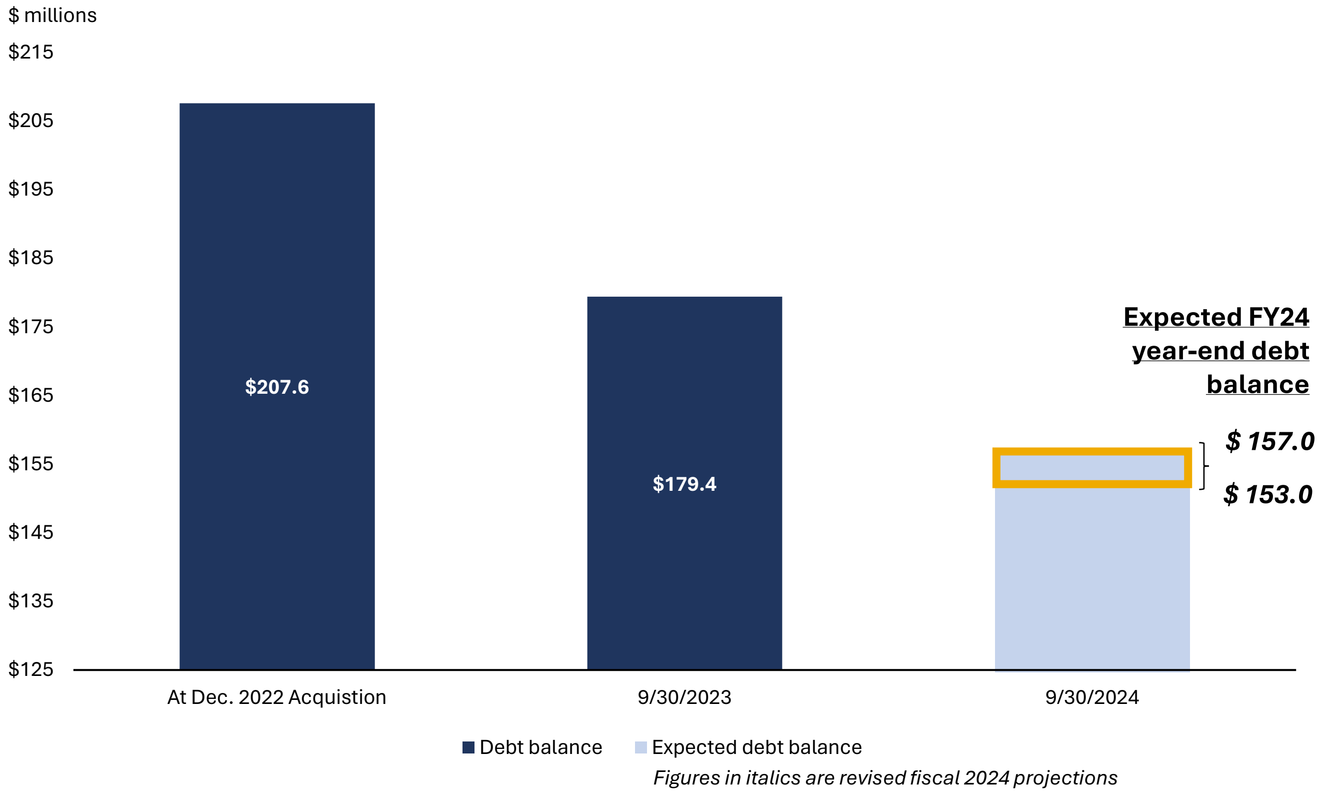
Year over year increase in Adj. EBITDA & Adj. Operating Income

Fiscal 2023 Q4 performance observations:

- Non-cash amortization expense reduced adjusted operating and net income
- Improved adjusted operating income performance due to favorable contract margins and increased operating leverage
- Interest expense reflects higher debt balance than previous year and unfavorable interest rate environment; mitigation strategies deployed to optimize shareholder return

FY23 Quarterly Debt Paydown and FY24 Projection

Expect to remain ahead of debt reduction plan communicated following Dec. 2022 acquisition



Q4 debt reduction of $16.4M; all applied to floating rate debt

Execution of Fiscal 2024 debt reduction & cash optimization strategy expected to yield debt balance between $157 to $153 million.

- Maximize cash flow through continued focus on organic growth & reducing working capital
- Deploy voluntary prepayments on debt to reduce future interest cash obligation and achieve debt leverage ratio of below 3.5x
- Year-end debt balance and interest rate SWAPs maintain relative 50/50 split between fixed and floating debt

Positioned for the Future

FINANCIAL RESULTS

Company poised for a new stage in our growth trajectory while delivering adjusted EBITDA margins in-line with industry peer group of 10 to 11%.

LONG-TERM STRATEGY

Transformation into a world-class technology provider illustrates commitment to generating long-term value for shareholders.

DRIVING INNOVATION

Delivering unique, innovative solutions across the federal health and cyber defense markets.

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 (“EPS”), EBITDA, Adjusted EBITDA, EBITDA Margin on Revenue, Adjusted EBITDA Margin on Adjusted Revenue, and Adjusted Cash from Operations 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

“Adjusted Operating Income” represents operating income plus the corporate development costs associated with completing the GRSi acquisition incurred in fiscal 2023 and 2022 and impairment loss on the right of use asset, less the contribution from the FEMA task orders, which occurred only in fiscal 2022.

“Adjusted Net Income” represents net income including the corporate development costs associated with completing the acquisition, the impairment loss on the right of use asset, 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 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.

“Adjusted Cash from Operations” represents cash generated from operations less the impact from the FEMA task orders in fiscal 2022. This measure is being presented to provide insight about the period over period performance without the impact of the FEMA task orders that ended in March 2022.

Reconciliation of Non-GAAP Financial Results

	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%	

Footnotes detailed on next slide

Reconciliation of Non-GAAP Financial Results (continued)

(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

Reconciliation of Adjusted Cash from Operations

(amount in thousands)	Twelve Months Ended September 30,	
	2023	2022
Operating activities		
Net income	$1,461	$23,288
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,562	7,665
Amortization of deferred financing costs charged to interest expense	2,182	664
Stock-based compensation expense	1,922	2,608
Deferred taxes, net	(4,604)	358
Impairment loss of long-lived asset	7,673	-
Changes in operating assets and liabilities	6,837	(33,340)
Cash from Operations	31,033	1,243
Less: Adjustment related to FEMA Task Order	--	(13,038)
Adjusted Cash flow from Operations	$31,033	$14,281

[1]Adjustment related to FEMA Task Order consists of $9.3 million of net income attributable to the FEMA task orders and $22.3 million reduction of deferred revenue related to the prepayment received at the end of fiscal 2021.

About DLH

DLH (NASDAQ:DLHC) delivers improved health and national security readiness solutions for federal programs through science research and development, systems engineering and integration, and digital transformation. Our experts in public health, performance evaluation, and health operations solve the complex problems faced by civilian and military customers alike, 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 innovation to improve the lives of millions