FY2020 Fourth Quarter Earnings Presentation: Three & Twelve Months Ended 9.30.2020

ZACH PARKER | PRESIDENT & CEO
KATHRYN JOHNBULL | CFO

12.07.20

Your Mission Is Our Passion

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 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 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 presentation due to a variety of factors, including: the outbreak of the novel coronavirus (“COVID-19”), including the measures to reduce its spread, and its impact on the economy and demand for our services, which are uncertain, cannot be predicted, and may precipitate or exacerbate other risks and uncertainties; the failure to achieve the anticipated benefits of the IBA acquisition (including anticipated future financial operating performance and results); diversion of management’s attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from the acquisition; the inability to retain IBA employees and customers; contract awards in connection with re-competes for present business and/or competition for new business; compliance with bank financial and other covenants; 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 IBA 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, 2020, 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. Such forward-looking statements 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, except as may be required by law.

Fiscal 2020 Full Year Highlights

- **Annual revenue rose 30% to $209.2 million**
- **Earnings of $7.1 million, or $0.54 per share**
- **Operating cash flow of $19.5 million**
- **Completed acquisition of IBA**
- **Backlog of $688.4 million**

"DLH has, once again, performed very well under rather unpredictable and challenging circumstances, solidifying its leadership position in the federal markets we serve."

- Zach Parker, CEO

DLH

Key Awards and Backlog Expansion

Modernized Solutions for Head Start Monitoring and Analytics Drives Major Recompete Win and Efficiencies to Client

Major Extensions and Favorable Progress on Heritage Veterans Pharma Contracts

COVID-19 Related Expansion of Infectious Disease Research and Prevention

Military Health System Contracts, Talent and Capabilities Acquired in Fourth Quarter

Election Impact -- Neutral to Positive

- Election not materially change outlook for DLH core markets, although Biden Administration has articulated interest in increased healthcare initiatives
- VA, DoD, and HHS largely supported by both parties, with high-priority programs designed to address the health and safety of Americans
- Will continue to engage applicable Senate and House Committees as appropriate to remain informed

Pandemic Research

Healthcare Cloud Migration

Veterans Health

Military Applications

Secure Data Analytics

DLH

Pandemic Response Creates ***Opportunities*** and minor ***Headwinds*** for Near-term

Expanding portfolio of mission-critical related services across key government agencies

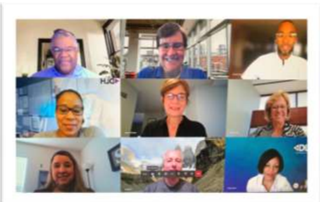
- Research and clinical trials for investigational therapies
- Telehealth technology to expand pathways to care
- Active pipeline for short- and long-term R&D

Federal, state, local government pandemic-related guidelines and restrictions

- Closure and limitations of facilities scheduled for inspection
- Restrictions on DLH subject matter experts travel

DLH

Top Priority Focus and Investments



Health and Safety of our uniquely talented workforce

Guided by our Covid-19 Executive Task Force (screenshot)

Telework tools, masks & PPE, facility provisions, surveys

Evolution of business practices for the "NextNormal"

Collaborate, Innovate, and Accelerate for Growth

Leverage recent infusion of new Leadership Talent

Expanded innovative solution architect resources (differentiate)

Effective integration with reconstructed growth engine

Deploy secure large-scale data analytics platform

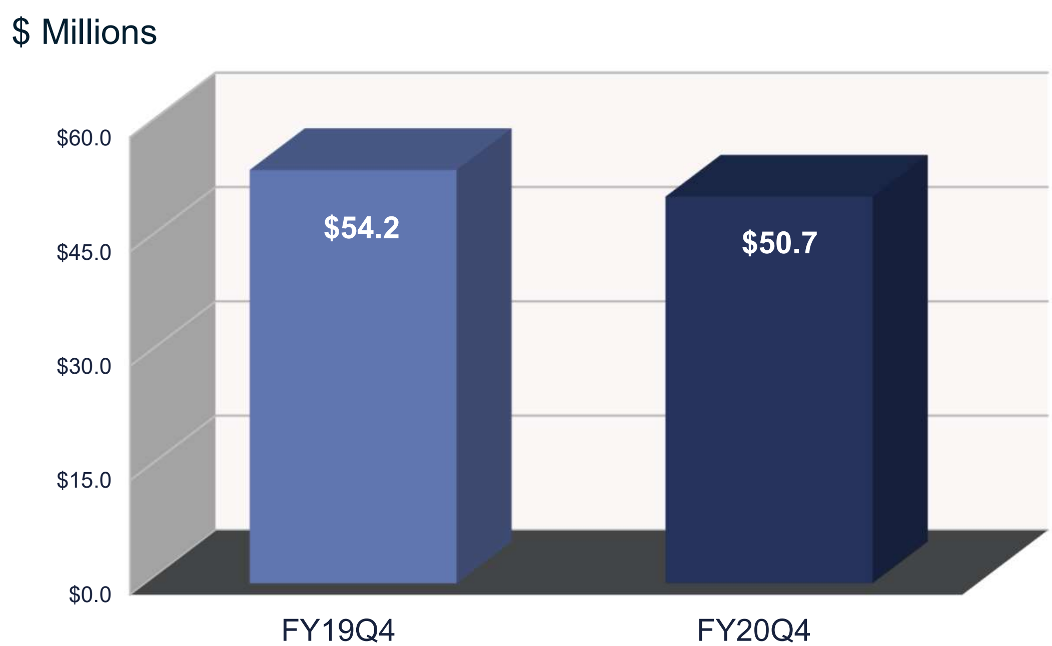
Certified Paas / IaaS solution for Cyber and Health IT markets

Major government-wide Health IT IDIQs on the horizon

Complements expanded Agile, DevOps, Artificial Intelligence

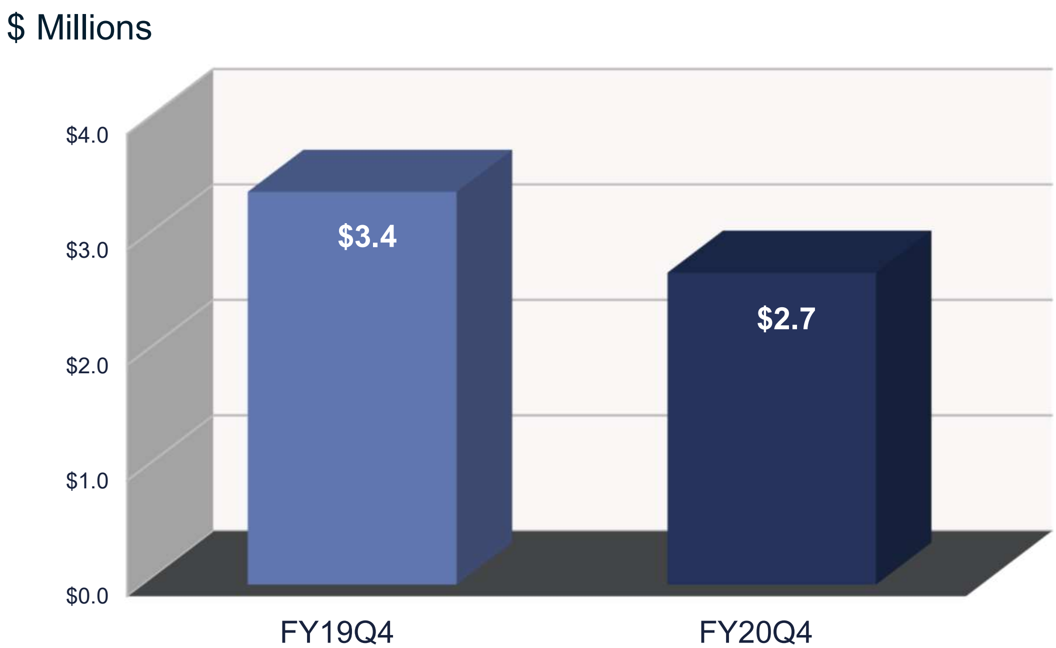
DLH

FY2020 Q4 Results: **Revenue**



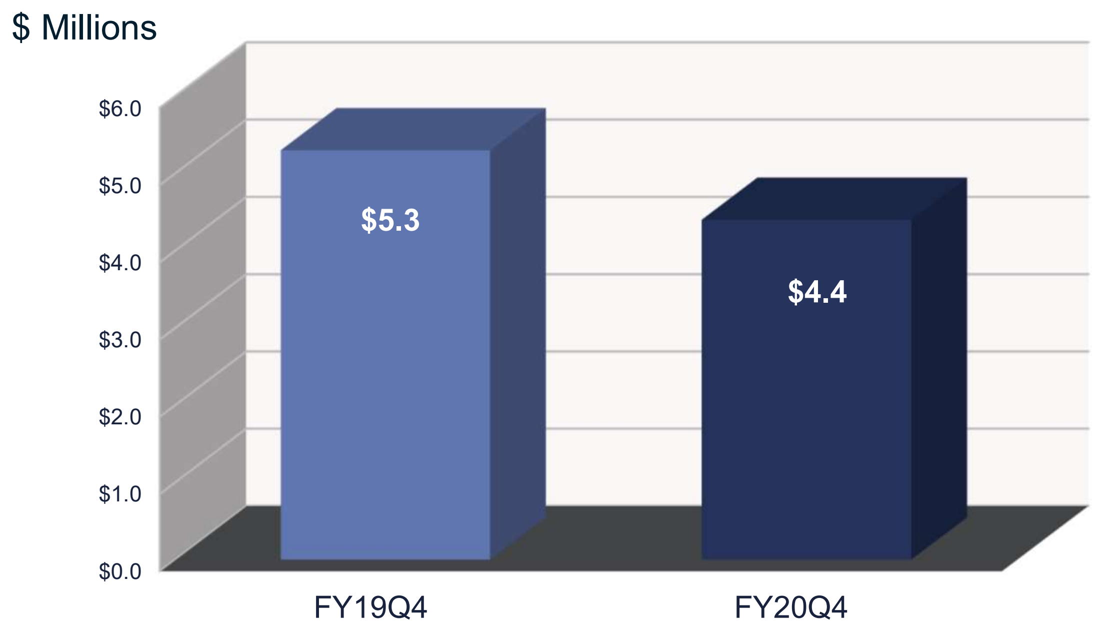
FY20 Q4 reflects deferrals in monitoring and compliance programs and reduction of non-labor costs due to pandemic conditions

FY2020 Q4 Results: **Operating Income**



Operating Income for FY20 Q4 increased as compared to FY19 Q4 when adjusted for $0.9 million of acquisition costs

FY2020 Q4 Results: **EBITDA**



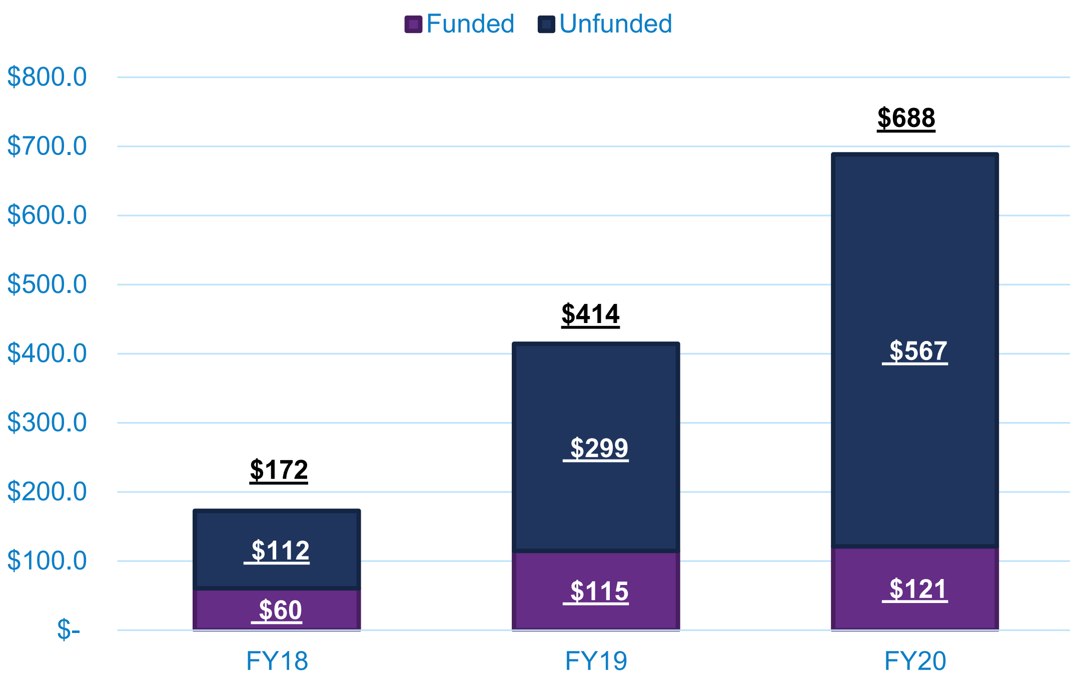
EBITDA for FY20 Q4 in line with FY19 Q4 after factoring in $0.9 million of acquisition expense

A reconciliation of net income to EBITDA is provided in the back of this presentation.

DLH

Strengthening and Broadening our Contract Backlog

Amount in millions



Fiscal 2019 ending balance	$	414
Additions		
Head Start recompete win		150
IBA acquisition		141
Balance of net contract addtions		193
Reductions		
Fiscal 2020 revenue incurred		(209)
Fiscal 2020 ending balance		688
Fiscal 2020 backlog growth	**$**	**274**
YoY % Growth		**66%**

Debt Position and Outlook

($ in Thousands)	S3 Acquisition 6/7/19	9/30/19	3/31/20	IBA Acquisition 9/30/20
Debt				
Term debt (legacy)	$ 70,000	$ 56,000	$ 53,000	$ 37,000
Term debt (IBA)	-	-	-	33,000
Revolving debt	-	-	2,000	-
Total debt	**70,000**	**56,000**	**55,000**	**70,000**
Cash on hand	**(1,900)**	**(1,790)**	**(1,124)**	**(1,357)**
Net debt	**$ 68,100**	**$ 54,210**	**$ 53,876**	**$ 68,643**
Total Leverage Ratio	**3.47**	**2.67**	**2.60**	**2.80**

Continued strong operating cash flow anticipated for fiscal 2021, leading to a projected year-end debt balance of $50 to $52 million.

Net Debt is a non-GAAP metric used by investors and lenders and management believes it provides relevant and useful information to investors and other users of our financial data. Net Debt is calculated by subtracting cash and cash equivalents from the sum of current and long-term debt

A reconciliation of the Total Leverage Ratio is included in the back of this presentation

Q&A

Appendix

Non-GAAP Reconciliations

This document contains non-GAAP financial information including EBITDA, Adjusted EBITDA, and Adjusted EBITDA as a percentage of revenue. Management uses this information in its internal analysis of results and believes 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 is presented in this document. The Company defines Adjusted EBITDA as net income excluding interest expense, provision for or benefit from income taxes, depreciation and amortization, and acquisition costs and defined Adjusted EBITDA as a percent of revenue is Adjusted EBITDA divided by revenue. Definitions of the other non-GAAP measures we use in the presentation are contained in the Company's most recent earnings press release, which is available on the investor relations section of our web site at www.dlhcorp.com.

Debt Covenant

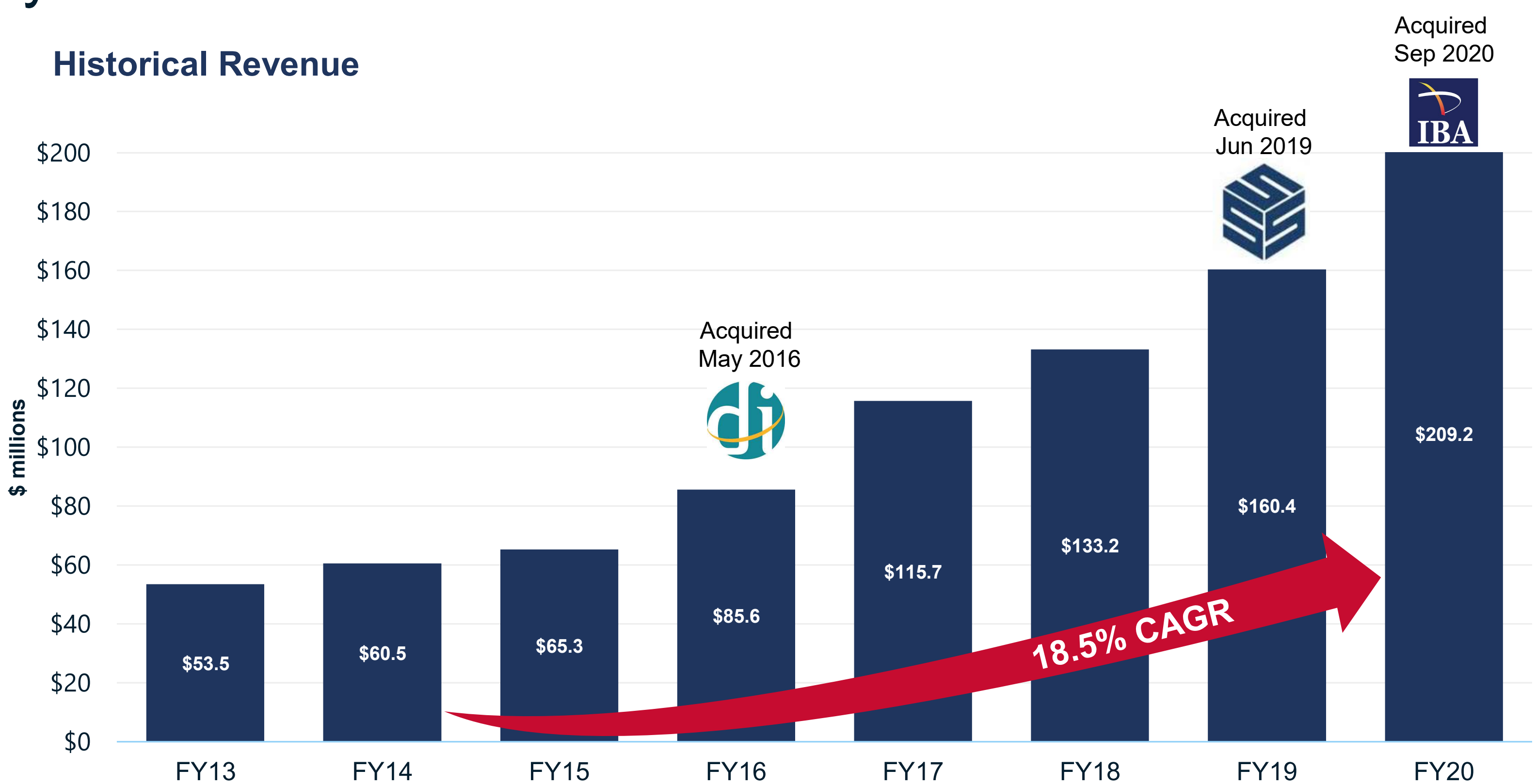
We are also including Total Leverage Ratio in this presentation. Total Leverage Ratio is used for the purpose of testing the Maximum Total Leverage Ratio covenant in our Amended and Restated Credit Agreement dated September 30, 2020 (the “Credit Agreement”), which provides for a maximum total leverage ratio of 3.75 to 1.00 for all periods from closing date to September 30, 2021. 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.

FY2020 Q4 and Full Year EBITDA Reconciliation

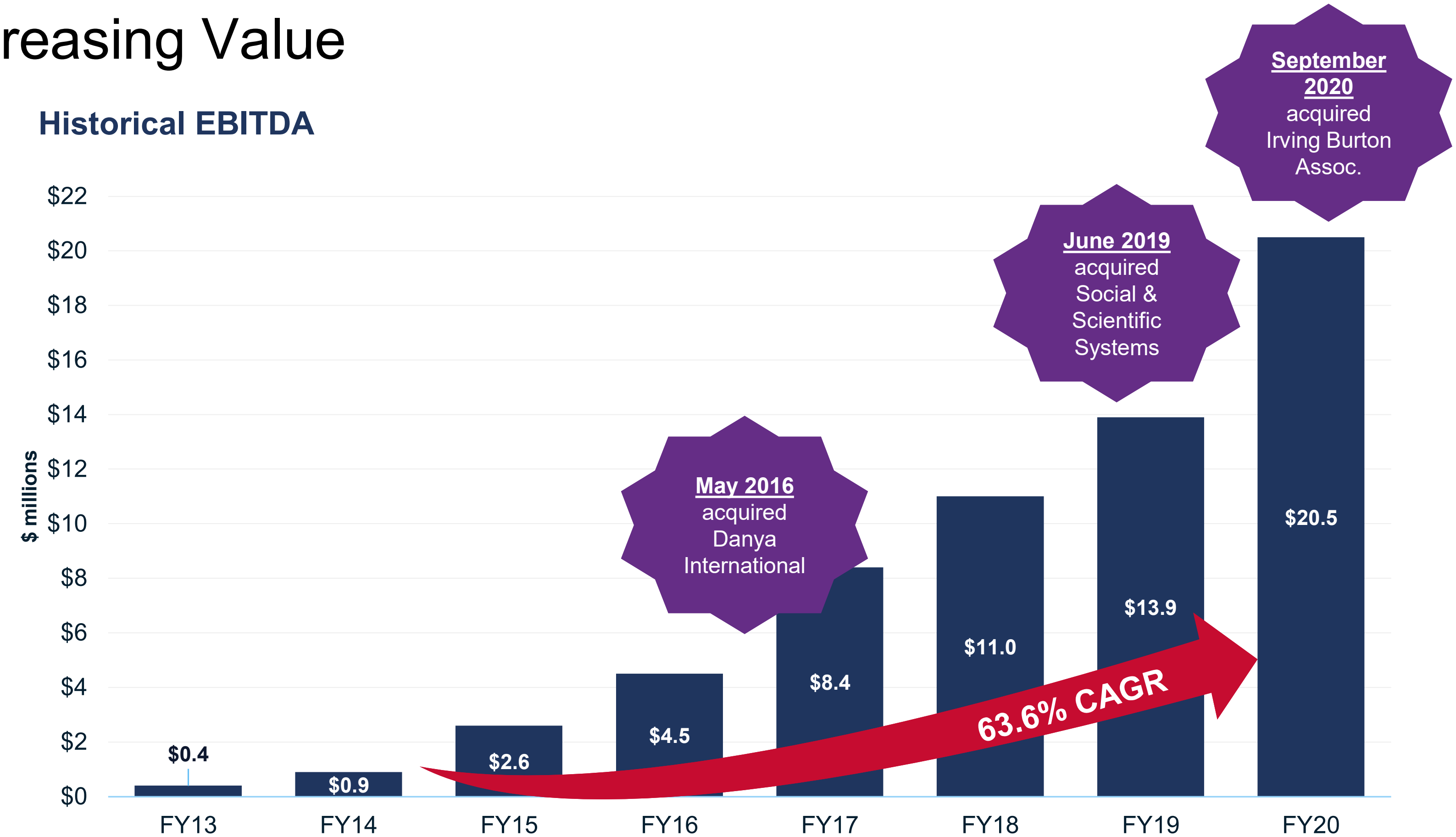
(amounts in thousands)	Three Months Ended September 30,			Twelve Months Ended September 30,		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
Net income	$ 1,363	$ 1,565	$ (202)	$ 7,114	$ 5,324	$ 1,790
(i) Interest expense, net	781	1,190	(409)	3,441	2,473	968
(ii) Provision for taxes	554	639	(85)	2,906	2,171	735
(iii) Depreciation and amortization	1,664	1,919	(255)	7,003	3,956	3,047
EBITDA	**4,362**	**5,313**	**(951)**	**20,464**	**13,924**	**6,540**
Acquisition costs	930	-	930	930	1,391	(461)
Adj. EBITDA	**5,292**	**5,313**	**(21)**	**21,394**	**15,315**	**6,079**
Net income as a % of revenue	2.7%	2.9%	(0.2%)	3.4%	3.3%	0.1%
Adj. EBITDA as a % of revenue	10.4%	9.8%	0.6%	10.2%	9.5%	0.7%
Revenue	$ 50,691	$ 54,183	$ (3,492)	$ 209,185	$ 160,391	$ 48,794

DLH

A History of Solid Growth



And Increasing Value



Trending EBITDA Reconciliation

(amounts in thousands)	Twelve Months Ended September 30, 2013	2014	2015	2016	2017	2018	2019	2020
Net (loss)/income	$ (159)	$ 5,357	$ 8,728	$ 3,384	$ 3,288	$ 1,836	$ 5,324	$ 7,114
(i) Interest expense/other (income)	407	4	(744)	823	1,228	1,116	2,473	3,441
(ii) (Benefit)/provision for taxes	-	(4,597)	(5,488)	(938)	2,114	5,830	2,171	2,906
(iii) Depreciation and amortization	121	106	55	1,244	1,754	2,242	3,956	7,003
EBITDA	**$ 369**	**$ 870**	**$ 2,551**	**$ 4,513**	**$ 8,384**	**$ 11,024**	**$ 13,924**	**$ 20,464**

Reconciliation of Leverage Ratio

(amount in thousands)	S3 Acquisition 6/7/19	9/30/19	3/31/20	IBA Acquisition 9/30/20
Term Loan	$ 70,000	$ 56,000	$ 53,000	$ 70,000
Revolving Credit Loan	-	-	2,000	-
Letters of Credit	-	1,745	1,745	1,990
Total Funded Debt	$ 70,000	$ 57,745	$ 56,745	$ 71,990
Consolidated EBITDA	$ 20,162	$ 21,664	$ 21,795	$ 25,678
Total Leverage Ratio	**3.47**	**2.67**	**2.60**	**2.80**

Consolidated EBITDA as calculated per the Credit Agreement.

DLH


DLH
Your Mission Is Our Passion