



Your Mission is Our Passion

FY2018 Third Quarter Earnings Presentation

Three Months Ended June 30, 2018

Zach Parker, President and Chief Executive Officer

Kathryn JohnBull, Chief Financial Officer

August 6, 2018

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 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. Those risks and uncertainties include, but are not limited to, the following: failure to achieve contract awards in connection with re-competes for present business and/or competition for new business; the risks and uncertainties associated with client interest in and purchases of new services; 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 our recent 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, 2017, as well as interim quarterly filings thereafter. The forward-looking statements contained herein are made as of the date hereof and may become outdated over time.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.

Third Quarter Highlights & Summary



- ◀ Q3 revenue \$36.1 million, up 23.5 percent year-over-year
- ◀ Gross margin of 23.1 percent
- ◀ Operating cash flow \$4.0 million
- ◀ Senior debt reduced to \$14.0 million; cash balance \$6.6 million
- ◀ Solid outlook continues as FY nears end

Budget Expectations for FY2019

- ▶ Not anticipating any surprises/sequestration
 - Bipartisan budget similar to FY2018 would be ideal
- ▶ Continued strong support for VA programs
 - CMOP recompetes will use “Rule of Two” to foster contracting with Veteran-owned small businesses
 - DLH adapting by partnering
- ▶ HHS requirements expected to remain intact
 - SAMHSA & CDC under new leadership
- ▶ Stability in spending priorities a positive
- ▶ DLH not impacted by tariffs or other geopolitical matters

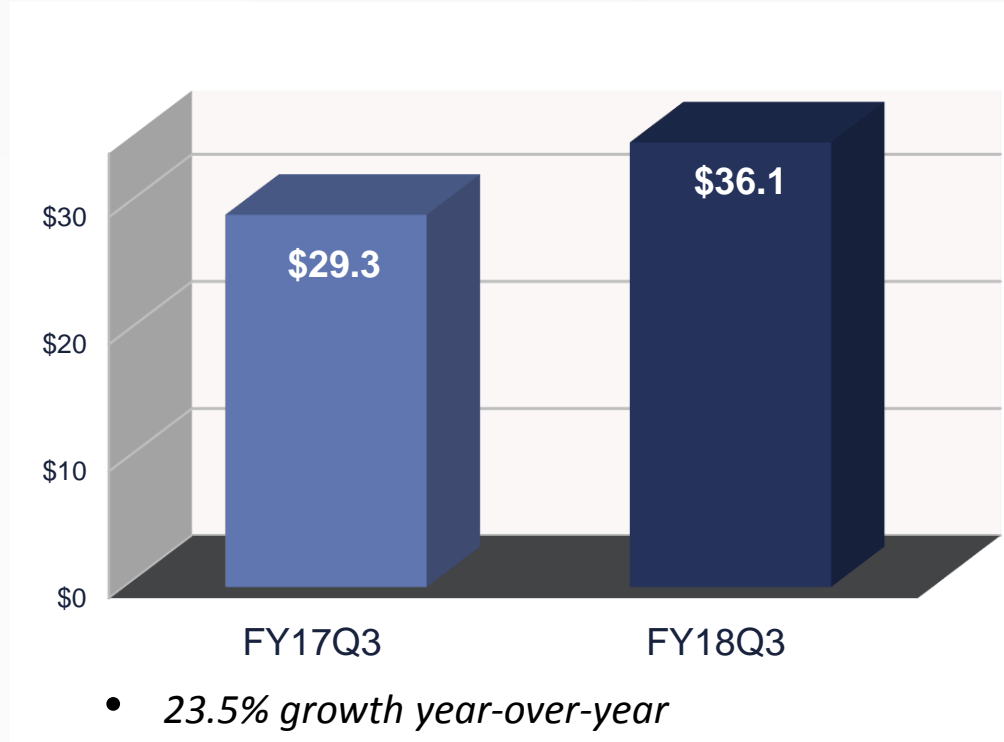




- ◀ Business pipeline remains robust
 - Many programs waiting to be awarded
 - Over \$400 million of qualified leads
 - DLH investing for the future – driving performance enhancements
 - Meeting with key agency and government constituents prior to FY2019 budget
- ◀ Strong M&A environment continues
 - Acquisition market providing potential opportunities
 - DLH taking conservative, thoughtful approach to analyzing transactions
 - Must be accretive and fit within DLH strategy / growth plan

FY2018 Q3 Results: Revenue

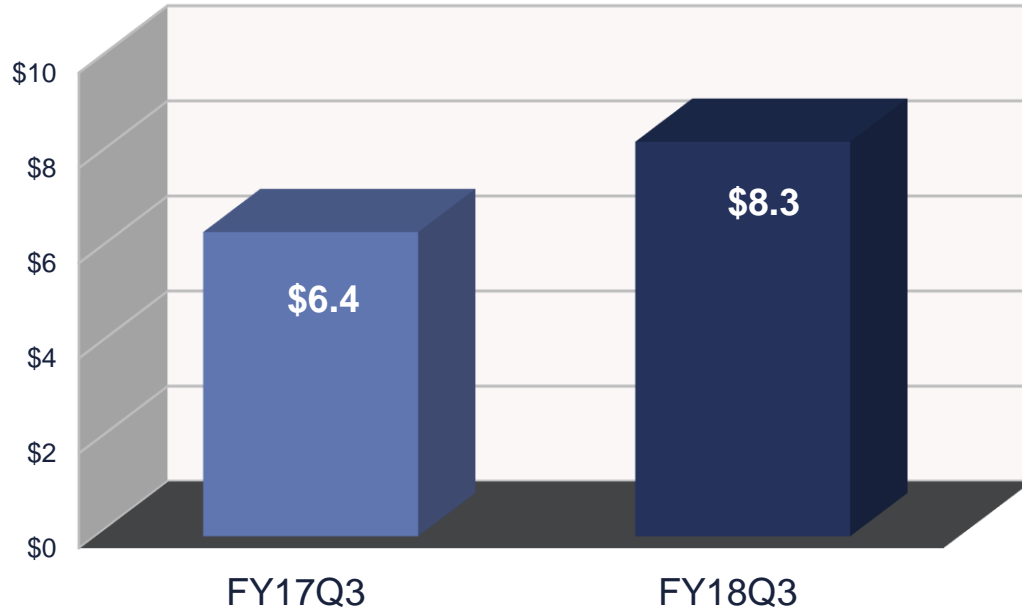
\$ Millions



- *23.5% growth year-over-year*
- *Includes scheduled surge on a key program and expansion at other core agencies*

FY2018 Q3 Results: Gross Profit

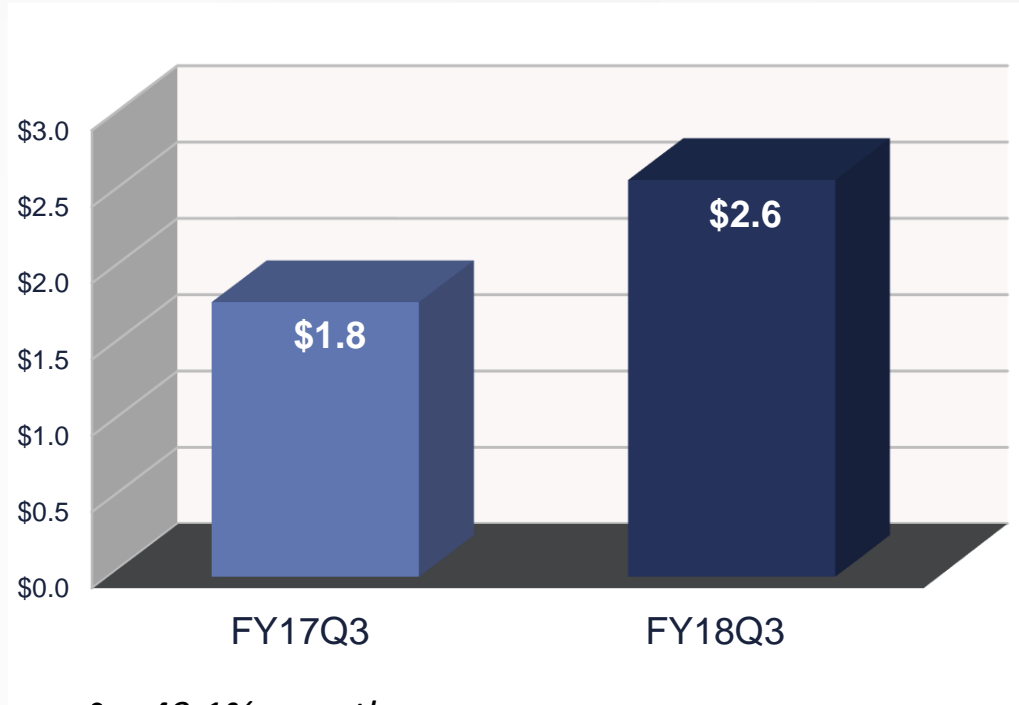
\$ Millions



- *Third quarter gross margin of 23.1%*
- *Increase of 30.6% in gross profit driven by higher revenue & margins*

FY2018 Q3 Results: Operating Income

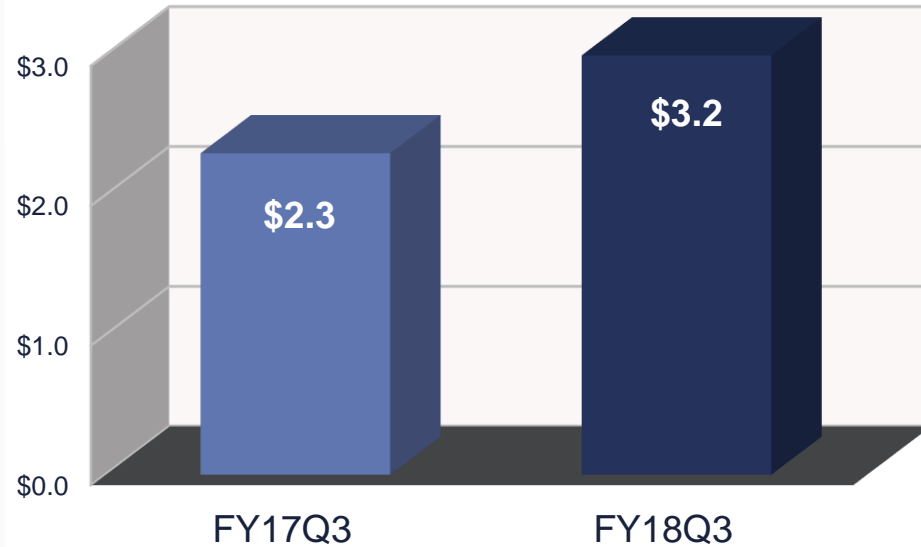
\$ Millions



- *49.1% growth year-over-year*
- *Higher gross profit was partially offset by increased G&A*

FY2018 Q3 Results: EBITDA

\$ Millions



- *EBITDA up 41.5% year-over-year*
- *EBITDA as a percent of revenue was 8.9% in FY2018 Q3 versus 7.7% in FY2017 Q3*

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

Balance Sheet: Deleveraging Continues

	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>6/30/2018</u>
◀ Term loan balance*	\$23.4 M	\$19.7 M	\$14.0 M
◀ Revolver balance**	-0-	-0-	-0-
◀ Less Cash on Hand	3.4	4.9	6.6
◀ Net Debt	\$20.0	\$14.8	\$7.4
◀ LTM EBITDA	\$4.5	\$8.4	\$10.3
◀ Net Debt/LTM EBITDA	4.44	1.76	0.72

***\$25M originally**

****\$10M ceiling; availability \$10M; no borrowing as of 6/30/18**

A reconciliation of LTM EBITDA is provided in the back of this presentation

Question and Answer Session



Appendix: Non-GAAP Reconciliations

This document contains non-GAAP financial information. Management uses this information in its internal analysis of results and believes that 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 presented in this document is also contained in the Company's most recent quarterly earnings press release.

For an expanded discussion of our use of this non-GAAP measure, please refer to the Earnings Release dated August 6, 2018.

FY2018 Q3 EBITDA Reconciliation

	Three Months Ended			Nine Months Ended		
	June 30,			June 30,		
	2018	2017	Change	2018	2017	Change
Net income (loss)	\$ 1,614	\$ 945	\$ 669	\$ 79	\$ 2,248	\$ (2,169)
(i) Interest expense	262	269	(7)	801	888	(87)
(ii) Provision for taxes	738	539	199	5,084	1,345	3,739
(iii) Depreciation, amortization	588	510	78	1,654	1,265	389
EBITDA	\$ 3,202	\$ 2,263	\$ 939	\$ 7,618	\$ 5,746	\$ 1,872

Trending EBITDA Reconciliation

	Last Twelve Months Ended		
	9/30/2016	9/30/2017	6/30/2018
Net Income (Loss)	\$ 3,384	\$ 3,288	\$ 1,119
Interest and other (income) expense (net):			
Interest and other expense	823	1,228	1,141
Provision for taxes	(938)	2,114	5,853
Depreciation, amortization and loss on fixed assets	1,244	1,754	2,143
EBITDA	\$ 4,513	\$ 8,384	\$ 10,256