



Your Mission is Our Passion

FY2019 Third Quarter Earnings Presentation

Three Months Ended June 30, 2019

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August 6, 2019

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 in this presentation include, among others, statements regarding benefits of the acquisition, estimates of future revenues, operating income, earnings, earnings per share, backlog, and cash flows. 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 presentation due to a variety of factors, including: the risk that we will not realize the anticipated benefits of the acquisition of SSS; 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 the acquisition; the inability to retain SSS employees and customers; contract awards in connection with re-competes for present business and/or competition for new business; compliance with new bank financial and other covenants; 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 SSS 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, 2018, as well as interim quarterly filings 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 assumes no responsibility for updating forward-looking statements, except as may be required by law.

Third Quarter (Q3) Highlights & Summary

- ◀ Completed acquisition of SSS – \$4.5 million revenue and \$0.2 million operating income contribution
- ◀ Posted Q3 revenue of \$38.7 million vs \$36.1 million in 2018
- ◀ Adjusted diluted EPS of \$0.13, after excluding impact of transaction expenses*
- ◀ Voluntary prepayment on new term loan of \$3.9 million



*A reconciliation of adjusted diluted EPS, a non-GAAP measure, is provided at the back of this presentation.

SSS Acquisition Rationale

Highly complementary businesses with common core capabilities for complex, nationally dispersed programs, operational synergies, and new business opportunities



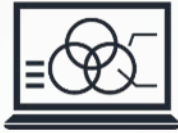
Accelerates long-term strategy of both entities – public health & life sciences capabilities with a proven secure data analytics platform to go to market



Reduces portfolio risk especially in view of Kingdomware (set-aside) impact on legacy VA revenue and profit delivery; adds > \$300M unfunded contract backlog



Government contract consolidations (and IDIQ focus), coupled with industry mergers, place greater value on scale for small, mid-tier organic competitiveness



Clinical Research Services and Bioscience

Management and operational support for bioscience research programs and clinical trials expedite the availability of safe and effective therapeutics.



Epidemiology and Public Health Studies

Design and conduct epidemiologic studies examining associations between a range of environmental, occupational, and lifestyle exposures and their impacts.



Program Evaluation and Policy Analysis

Scientific evaluations, research, and analyses are used to develop successful policies that address pressing public health issues.



Health Data Management and Analysis

Data experts and software systems manage health data, provide real-time analytical reporting, and deliver statistical programming for research.

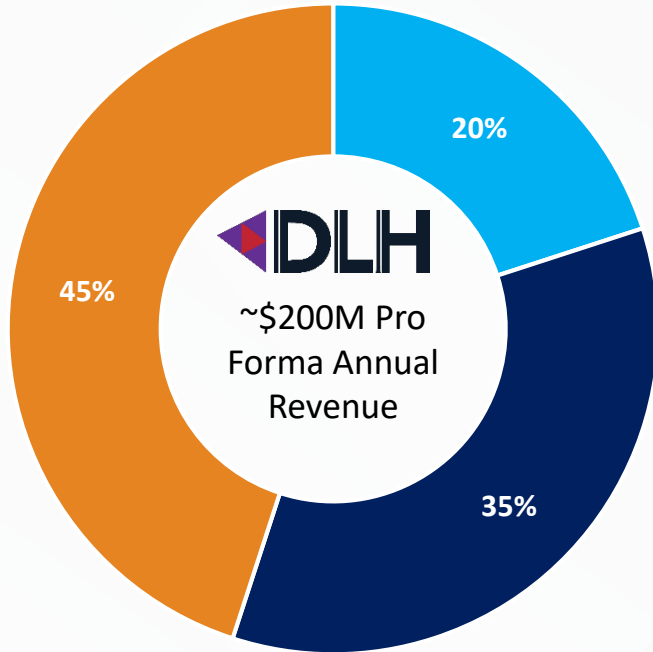


Health IT and Cloud Services

Develop IT solutions, as a cloud service provider, for our clients to manage and analyze their data in secure and efficient manner, operating at CMMI-DEV Level 3.



DLH Market Presence, Post Transaction



DOD & Veteran Health Services Market

- **Pro Forma Annual Revenue:** ~\$90M
- **Key Capabilities:** Mail-order pharmacy ops, virtual pharmacy, behavioral health, substance abuse counseling, training, disability assessments, care coordination, case management
- **Recent Customers:** VHA, Navy, BUMED, DHA, USAMMA

Human Services & Solutions Market

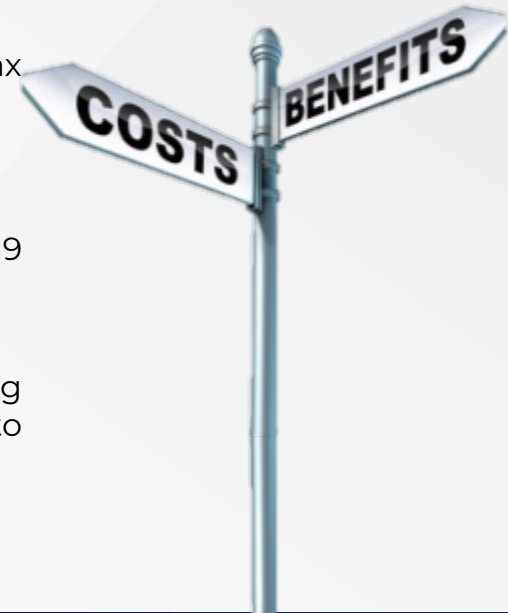
- **Pro Forma Annual Revenue:** ~\$40M
- **Key Capabilities:** Large-scale program monitoring & evaluation, data collection and management, trend analyses, congressional reporting, electronic medical records migration, nutritional and social health assessments
- **Recent Customers:** ACF OHS, DHS, USAID

Public Health & Life Sciences Market

- **Pro Forma Annual Revenue:** ~\$70M
- **Key Capabilities:** Disease prevention and health promotion, clinical trials, epidemiology studies, environmental studies, public health policy data analysis, microsimulation, statistical data analysis and national reporting, website & social media campaigns, biological research and surveys, capacity-building
- **Recent Customers:** CDC, NIH, CMS, AHRQ, DOI

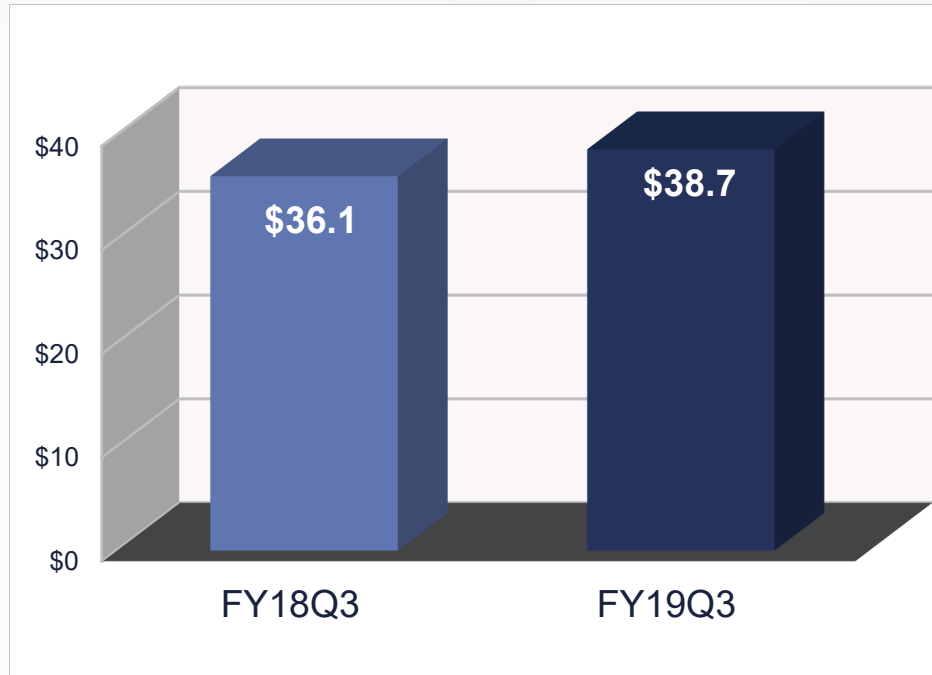
Acquisition - Financial Benefits

- ◀ Highly visible revenue
 - Acquired company has approx. \$345 million of total backlog, of which \$40 million is funded
 - Due to research and studies nature of work, contract durations tend to be longer
- ◀ Expected strong free cash flow and debt service
 - Free cash flow is supported by tax-deductible purchase price and prior DLH tax shield
 - Capital requirements of the business are minimal
- ◀ Substantial existing contract base
 - The acquired company's contract portfolio supports 100% of its expected FY19 revenue and 95% of expected FY20 revenue
- ◀ Significant potential for combined organic growth
 - Revenue growth driven primarily by continued execution against recurring customer requirements, cross-selling opportunities (expanding offerings into each other's respective markets), and unsaturated customer bases



FY2019 Q3 Results: Revenue

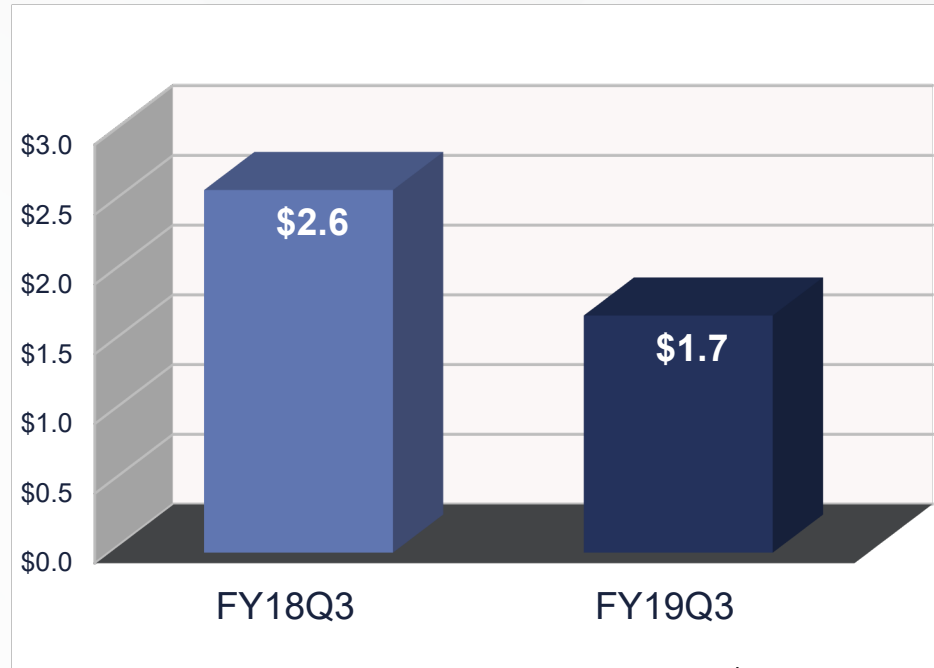
\$ Millions



- *Revenue increase reflects program timing and acquisition of SSS*

FY2019 Q3 Results: Operating Income

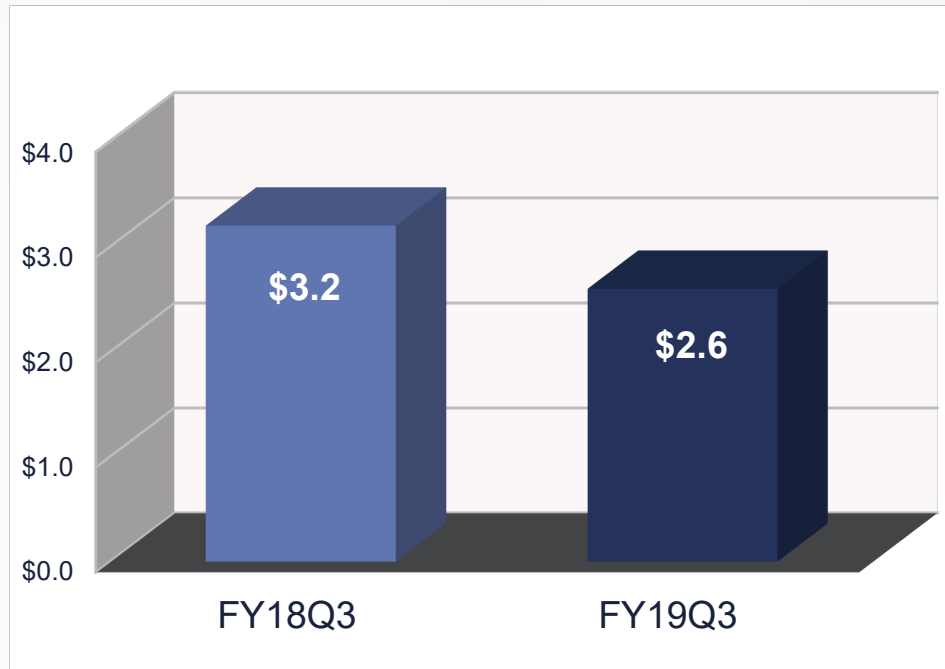
\$ Millions



- *Operating income was impacted by \$1.2 million of acquisition-related transaction expenses in the quarter*
- *Continued effective cost management across the Company's*

FY2019 Q3 Results: EBITDA

\$ Millions



- *As a percent of revenue, EBITDA was 6.7% in FY19Q3 vs 8.9% in FY18Q3 principally due to acquisition-related transaction expenses incurred in the quarter.*

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

Balance Sheet Highlights

- Cash on hand of \$6.0 million as of June 30, 2019
- \$70 million of new senior debt represents a leverage level of 3.47x proforma LTM Adjusted EBITDA⁽¹⁾ at closing
- *Focus on debt pay-down with \$6.5 million of voluntary debt payments since June 7 – \$3.9 million on 7/1/19, \$2.6 million on 7/1/20*

First National Bank Group	
Term Loan	\$70 million
Interest Rate	LIBOR +4.0% ⁽²⁾
Term	5.0 years

First National Bank Group	
Revolving Line of Credit	\$25 million <i>(none drawn at close)</i>
Interest Rate	LIBOR +4.0% ⁽²⁾
Maturity	5.0 years

Please note that additional financing terms are discussed in detail in Form 8-K filed with SEC

(1) Adjusted EBITDA pursuant to definition provided in new senior loan agreement, which adds non-cash stock expense and transaction expense to EBITDA.

2) Interest rate spread ranges from 2.5% - 4.5%, depending on the total leverage ratio.

Question and Answer Session

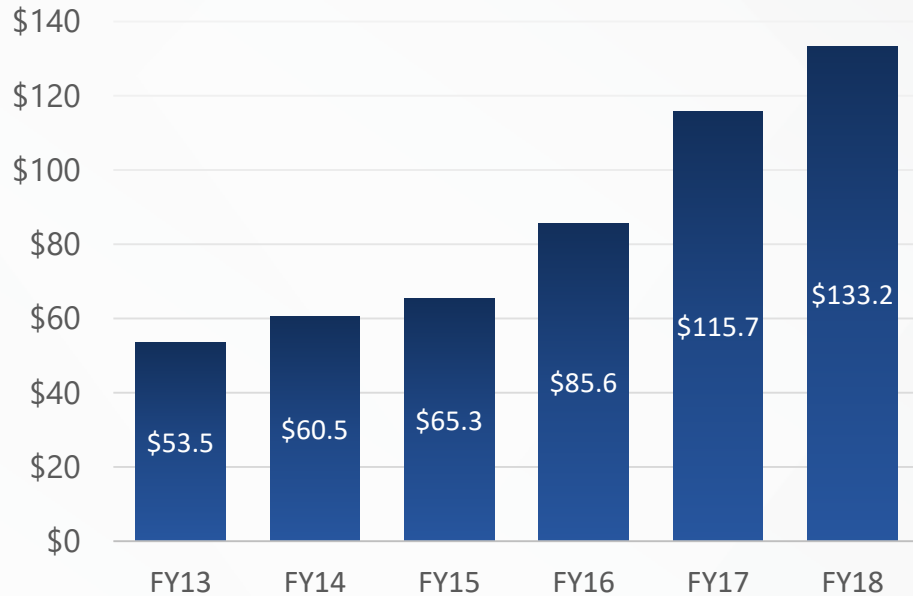


Appendix: Non-GAAP Reconciliations

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

Annual Trends

Historical Revenue (\$ in millions)



Historical EBITDA* (\$ in millions)



*A reconciliation of Net Income to EBITDA is provided at the back of this presentation.

Trending EBITDA Reconciliation

Amounts in \$000s

Twelve Months Ended
September 30,

	2013	2015	2016	2017	2018	LTM*
Net (loss)/income	\$ (159)	\$ 5,357	\$ 8,728	\$ 3,384	\$ 1,836	\$ 5,515
(i) Interest expense/other (income)	407	4	(744)	823	1,116	1,599
(ii) (Benefit)/provision for taxes	—	(4,597)	(5,488)	(938)	5,830	2,279
(iii) Depreciation and amortization	121	106	55	1,244	2,242	2,625
EBITDA	\$ 369	\$ 870	\$ 2,551	\$ 4,513	\$ 11,024	\$ 12,018

*Twelve months ended June 30, 2019

FY2019 Q3 EBITDA Reconciliation

Amounts in \$000s

	Three Months Ended			Nine Months Ended		
	June 30,			June 30,		
	2019	2018	Change	2019	2018	Change
Net income	\$ 803	\$ 1,614	\$ (811)	\$ 3,758	\$ 79	\$ 3,679
(i) Interest expense	562	262	300	1,284	801	483
(ii) Provision for taxes	325	738	(413)	1,532	5,084	(3,552)
(iii) Depreciation and amortization	914	588	326	2,037	1,654	383
EBITDA	\$ 2,604	\$ 3,202	\$ (598)	\$ 8,611	\$ 7,618	\$ 993

FY19 Q3 Adjusted Diluted EPS Reconciliation



	Three Months Ended			Nine Months Ended		
	June 30,			June 30,		
	2019	2018	Change	2019	2018	Change
Net income	\$ 803	\$ 1,614	\$ (811)	\$ 3,758	\$ 79	\$ 3,679
Write-down of deferred tax assets	—	—	—	—	3,365	(3,365)
Pro-forma impact of tax rate change	—	56	(56)	—	222	(222)
Transaction expenses	1,247	—	1,247	1,391	—	1,391
Tax effect of excluding transaction expenses	(362)	—	(362)	(403)	—	(403)
Net income, adjusted for the effect of The Tax Cuts and Jobs Act of 2017 and the acquisition of SSS	\$ 1,688	\$ 1,670	\$ 18	\$ 4,746	\$ 3,666	\$ 1,080
Net income per diluted share	\$ 0.06	\$ 0.13	\$ (0.07)	\$ 0.29	\$ 0.01	\$ 0.28
Impact of write-down of deferred tax asset	—	—	—	—	0.26	(0.26)
Pro-forma impact of tax rate change	—	—	—	—	0.02	(0.02)
Impact of transaction expenses	0.07	—	0.07	0.08	—	0.08
Net income per diluted share, adjusted for the effect of The Tax Cuts and Jobs Act of 2017 and the acquisition of SSS	\$ 0.13	\$ 0.13	\$ —	\$ 0.37	\$ 0.29	\$ 0.08

In fiscal 2019, DLH incurred transaction expenses for the acquisition of SSS. The non-GAAP financial measure we are including for net income adjusted for the effect of the Tax Cut and Jobs Act and the acquisition of SSS, in total and on a per share basis, is presented on a tax-effected basis.