



*Your Mission is Our Passion*

# FY2020 First Quarter Earnings Presentation

Three Months Ended December 31, 2019

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**FEBRUARY 6, 2020**



# Forward-looking Statements

## **"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:**

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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, 2019, 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 The forward-looking statements contained herein are made as of the date hereof and may become outdated over time.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.



# First Quarter (Q1) Highlights & Summary

- Posted Q1 revenue of \$52.2 million versus \$33.8 million in FY19
- Operating income of \$3.1 million, up from \$2.6 million last year
- EBITDA of \$5.0 million, compared to \$3.1 million in FY19
- Active bid pipeline for FY20
- Recently paid down \$3 million of debt



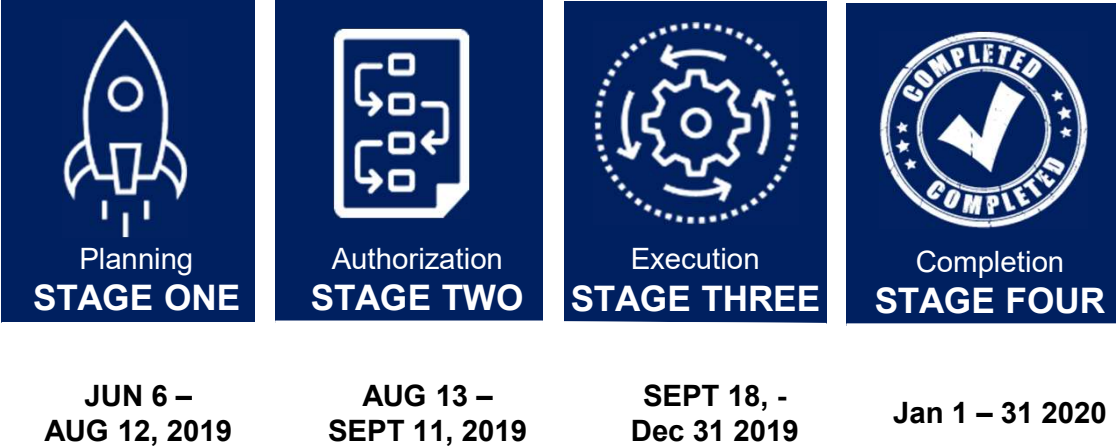
A reconciliation of net income to EBITDA is provided in the back of this presentation.

# Integration Complete / ERP Implemented

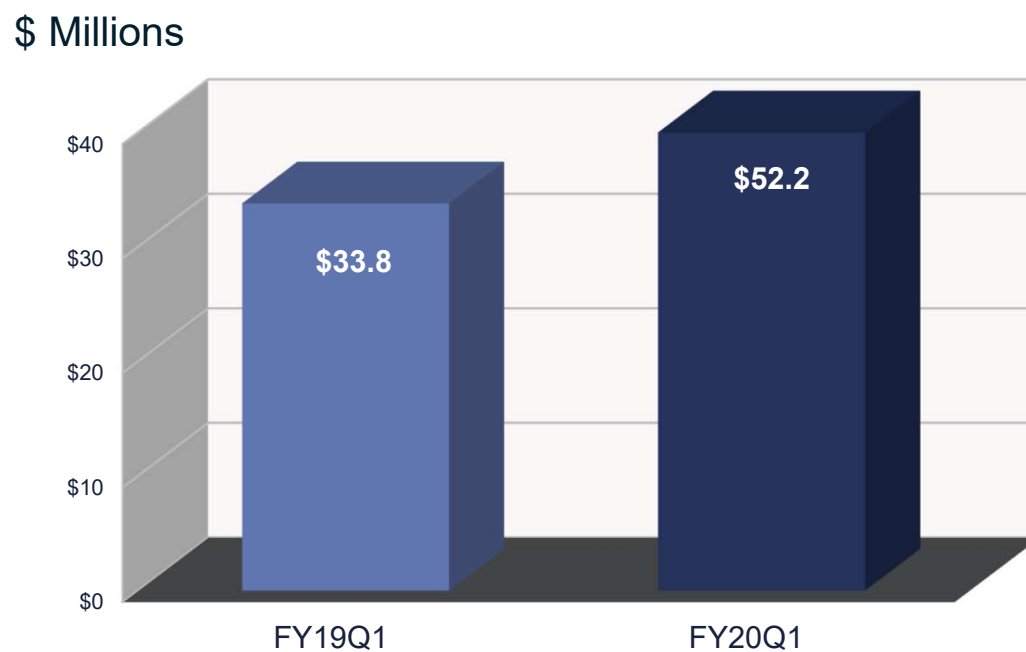
## Work Streams



## Stages and Timeline

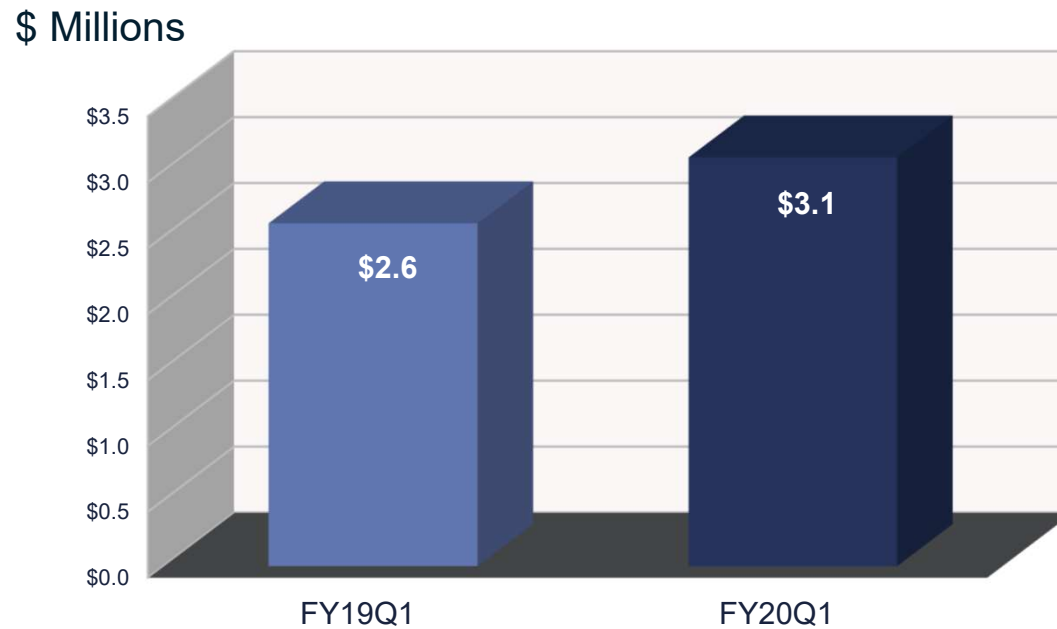


## FY2020 Q1 Results: Revenue



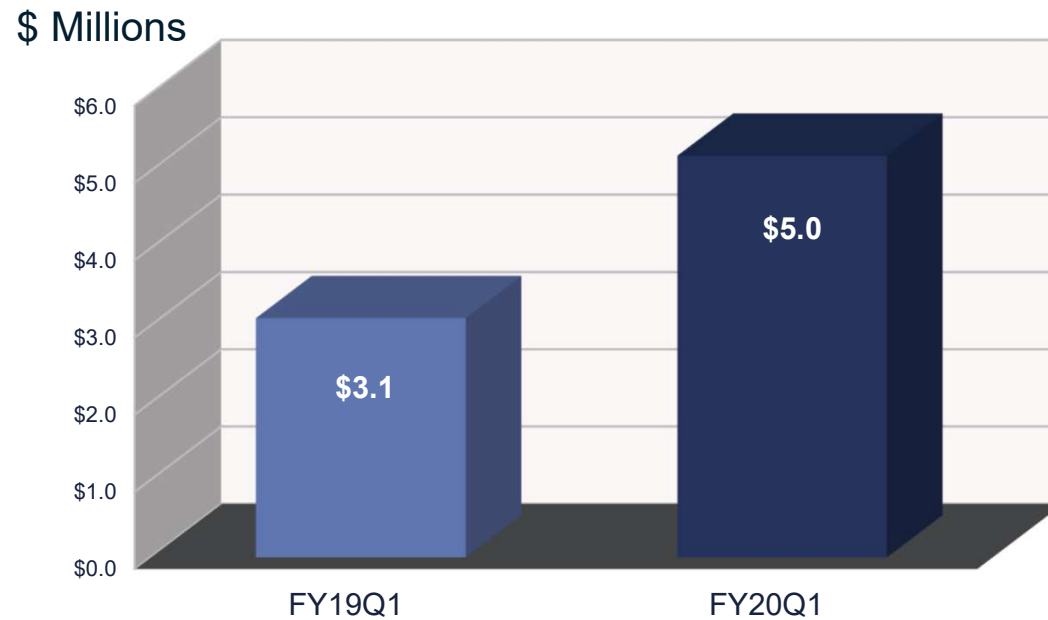
- *Revenue increase primarily reflects S3 contribution of \$17.3 million*

## FY2020 Q1 Results: Operating Income



- *Reflects impact from S3 acquisition and improved operating leverage, partially offset by higher D&A*

## FY2020 Q1 Results: EBITDA



- *EBITDA increased principally due to the S3 acquisition and improved operating leverage*

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

## Debt Paydown Continues

	<u>6/7/2019</u>	<u>9/30/2019</u>	<u>12/31/2019</u>	<u>1/31/2020</u>
Term loan balance*	\$70.0 M	\$56.0 M	\$56.0 M	\$53.0 M
Less cash on hand	\$1.9	\$1.8	\$0.4	\$0.3
<b>Net Debt</b>	<b>\$68.1 M</b>	<b>\$54.2 M</b>	<b>\$55.6 M</b>	<b>\$52.7 M</b>

**\*\$70M originally**

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 the Company's financial data. Net Debt is calculated by subtracting cash and cash equivalents from the outstanding principal balance of the term loan.







# Q&A



# Appendix:

## Non-GAAP Reconciliations & Definitions

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*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.*

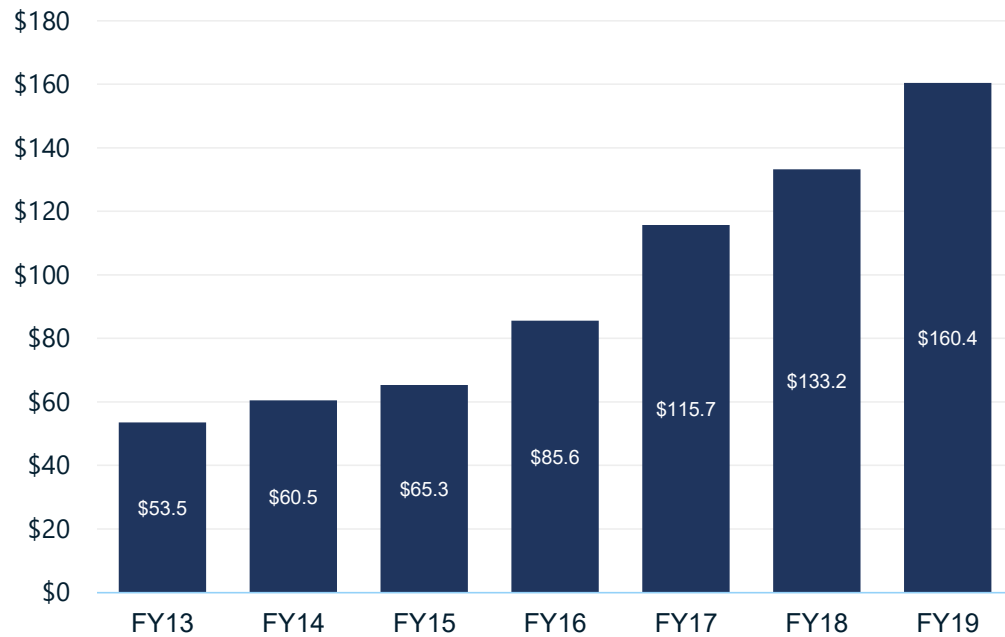
## FY2020 Q1 EBITDA Reconciliation

(amounts in thousands)

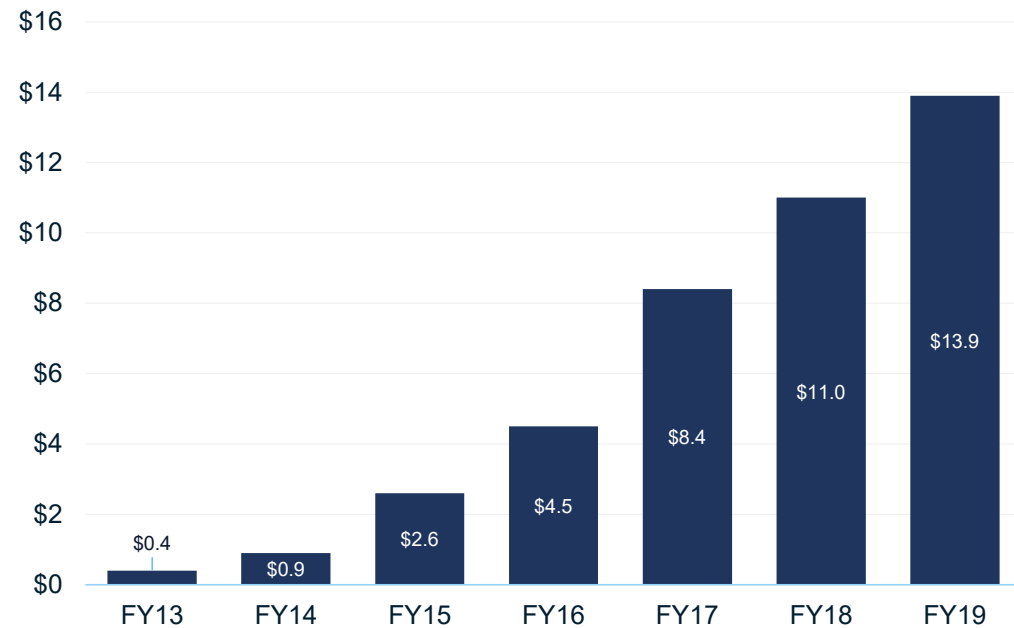
	Three Months Ended December 31,		
	2019	2018	Change
Net income	\$ 1,551	\$ 1,690	\$ (139)
(i) Interest expense	941	177	764
(ii) Provision for taxes	634	690	(56)
(iii) Depreciation and amortization	1,859	563	1,296
<b>EBITDA</b>	<b>\$ 4,985</b>	<b>\$ 3,120</b>	<b>\$ 1,865</b>

# A History of Solid Performance

## 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

<i>Amounts in \$000s</i>	Twelve Months Ended						
	September 30,						
	2013	2014	2015	2016	2017	2018	2019
Net (loss)/income	\$ (159)	\$ 5,357	\$ 8,728	\$ 3,384	\$ 3,288	\$ 1,836	\$ 5,324
(i) Interest expense/other (income)	407	4	(744)	823	1,228	1,116	2,473
(ii) (Benefit)/provision for taxes	-	(4,597)	(5,488)	(938)	2,114	5,830	2,171
(iii) Depreciation and amortization	121	106	55	1,244	1,754	2,242	3,956
<b>EBITDA</b>	<b>\$ 369</b>	<b>\$ 870</b>	<b>\$ 2,551</b>	<b>\$ 4,513</b>	<b>\$ 8,384</b>	<b>\$ 11,024</b>	<b>\$ 13,924</b>

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