



Your Mission is Our Passion

FY2018 Fourth Quarter and Year-End Earnings Presentation

Three Months Ended September 30, 2018

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December 13, 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, 2018, 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 The forward-looking statements contained herein are made as of the date hereof and may become outdated over time.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.

Fourth Quarter (Q4) Highlights and Summary



- ◀ Q4 revenue \$32.5 million, up 6.9 percent year-over-year
- ◀ Gross margin of 24.3 percent
- ◀ Operating cash flow \$6.1 million for quarter; \$14.1 million for fiscal year
- ◀ Senior debt reduced to \$7.7 million; cash balance of \$6.4 million

Current Outlook

Selected Targeted Expansion Agencies



Budget Characteristics and Stability

- ▶ Budget Control Act currently still in play
- ▶ Continuing resolution expected for near-term
- ▶ Departments of Defense, Health and Human Services (HHS), and Veterans Affairs FY2019 budgets appropriated
- ▶ HHS FY2019 budget including \$15.5B addressable by DLH

New Business Pipeline Overview



- ▶ More than \$900M in pursuit phase with nearly \$500M¹ qualified to date
- ▶ Nearly all are “Best Value” awards
- ▶ Most are recurring work with an existing incumbent workforce

Aerospace/Defense Gov't Contracting Profile

- ▶ Portfolio shaping through mergers and acquisitions (M&A) continues
- ▶ Competitive landscape for mid-tiers evolving
- ▶ Government restricting lowest price technically acceptable contracting use
- ▶ Cloud and Agile development gaining steam

¹ Excludes small, pop-up, and quick-turnaround IDIQ bid opportunities

Another Year of Achievement



Historical Revenue (\$ in millions)



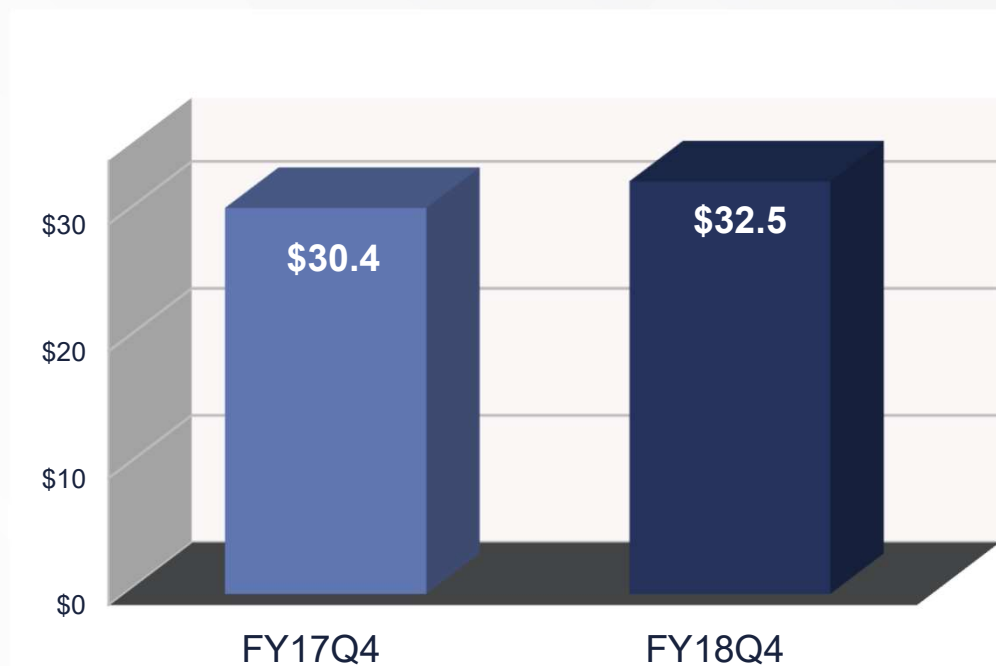
Historical EBITDA* (\$ in millions)



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

FY2018 Q4 Results: Revenue

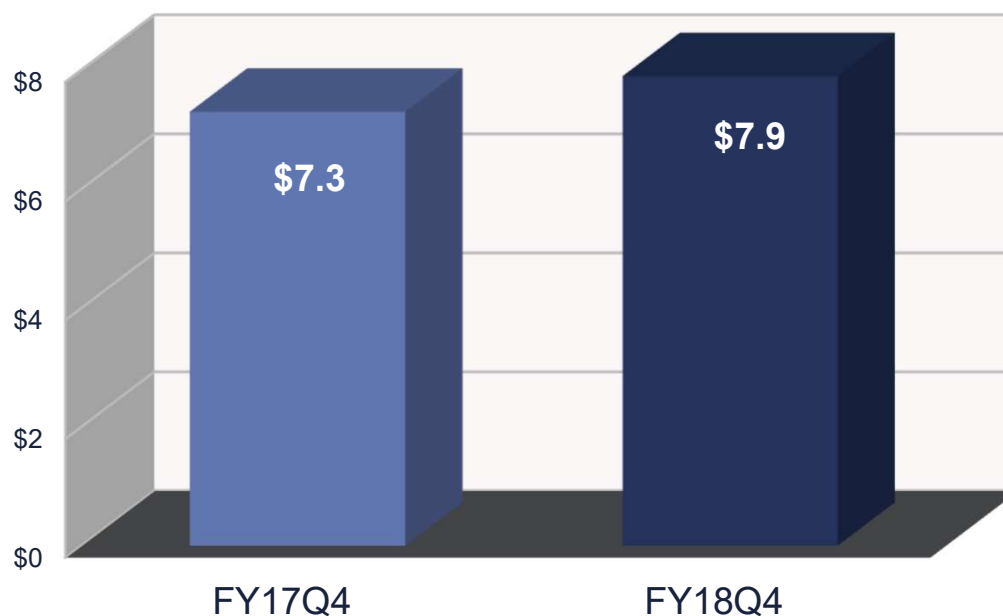
\$ Millions



- *6.9-percent growth year-over-year*
- *Reflects strong demand and general business expansion across core agencies*

FY2018 Q4 Results: Gross Margin

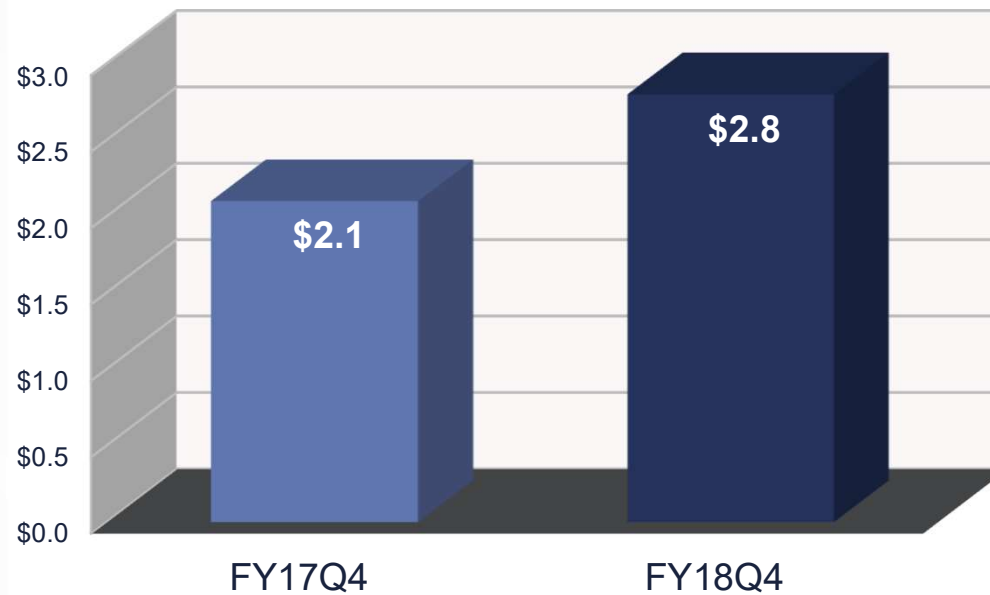
\$ Millions



- *Third quarter gross margin of 24.3 percent*
- *Increase of 8.7 percent in gross margin driven by higher revenue and margins*

FY2018 Q4 Results: Operating Income

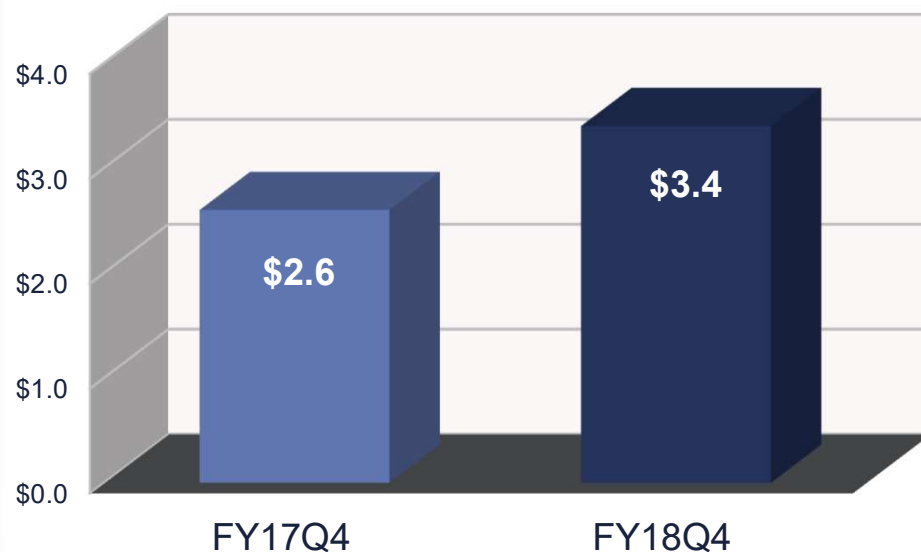
\$ Millions



- *31.2-percent growth year-over-year*
- *Reflects impact of higher gross margin*

FY2018 Q4 Results: EBITDA

\$ Millions



- *EBITDA up 29.2 percent year-over-year*
- *EBITDA as a percent of revenue was 10.5 percent in FY2018 Q4 versus 8.7 percent in FY2017 Q4*

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

Balance Sheet: \$15.7M Debt Reduction in 2 Years



	9/30/2016	9/30/2017	9/30/2018
◀ Term loan balance*	\$23.4 M	\$19.7 M	\$7.7 M
◀ Revolver balance**	-0-	-0-	-0-
◀ Less cash on hand	3.4	4.9	6.4
◀ Net Debt	\$20.0	\$14.8	\$1.3
◀ LTM EBITDA	\$4.5	\$8.4	\$11.0
◀ Net Debt/LTM EBITDA	4.44	1.76	<1

*\$25M originally

**\$10M ceiling; no borrowing as of 9/30/18

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

Forward Indicators

Strengths

- Positioned well against possible Government shutdown
- Key customers maintain mission-critical status
- Well postured for M&A success (debt reduced)
- Strong new business pipeline
- Enhanced credentials and workforce strength
- Bolstered technology-based solutions focus

Challenges

- A portion of VA Consolidated Mail Outpatient Pharmacy (CMOP) re-compete year
- Continuing resolution expected for near-term

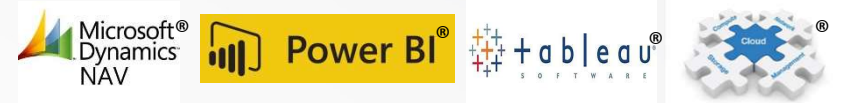
Learning Management System and Applicant Tracking System Upgrades and Implementation



Performance and Competitive Enhancements



Business Intelligence and Analytics Tools



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.

FY2018 Q4 EBITDA Reconciliation



	Three Months Ended September 30,			Year Ended September 30,		
	2018	2017	Change	2018	2017	Change
Net income	\$ 1,757	\$ 1,040	\$ 717	\$ 1,836	\$ 3,288	\$ (1,452)
(i) Interest expense	315	340	(25)	1,116	1,228	(112)
(ii) Provision for taxes	747	769	(22)	5,830	2,114	3,716
(iii) Depreciation and amortization	588	489	99	2,242	1,754	488
EBITDA	\$ 3,407	\$ 2,638	\$ 769	\$ 11,024	\$ 8,384	\$ 2,640

Trending EBITDA Reconciliation



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