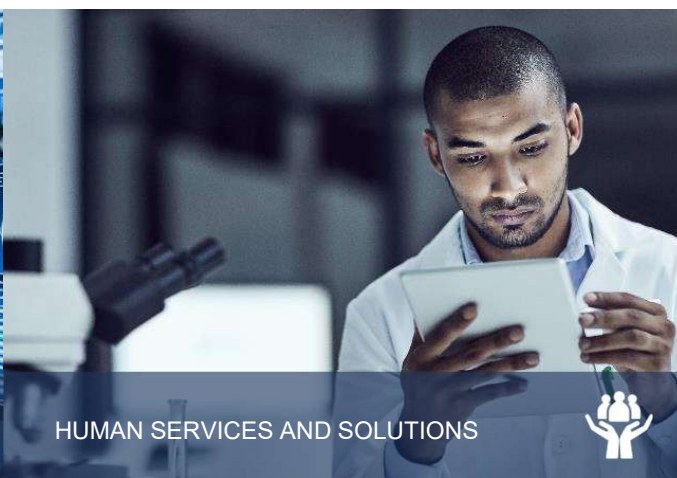




DEFENSE & VETERANS HEALTH SOLUTIONS



HUMAN SERVICES AND SOLUTIONS



PUBLIC HEALTH AND LIFE SCIENCES



FY2021 Second Quarter Earnings Presentation: Three Months Ended 3.31.2021

ZACH PARKER | PRESIDENT & CEO
KATHRYN JOHNBULL | CFO

MAY 6, 2021



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 any 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 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 and award protests, 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 most recent acquisition 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 2021 Second Quarter Highlights

Revenue rose 12% to \$61.5 million

Operating margin 7.5%

Earnings of \$2.6 million, or \$0.19 per share

Debt paydown resumes

Awarded \$42M Clinical Trials Network renewal

“The year is playing out as expected -- with solid performance and key contract wins.”

- Zach Parker, CEO

Strong Outlook



Well aligned and positioned with Federal mission-critical agencies



Top 10 provider of Professional Services to DHA (including R&D)



Leveraging longstanding VA pharma and medical logistics relationship



Expanding clinical networks, research, analytics, surveillance and compliance



Federal budget priorities support a growing DLH addressable market

- Health-related digital transformation, cybersecurity, and evidence-based research
- Commitment to our service members readiness, veterans health and public health & life sciences



DLH workforce navigating the pandemic challenges brilliantly

- Telework guidelines remain in effect
- Work performance and productivity remain at very high levels

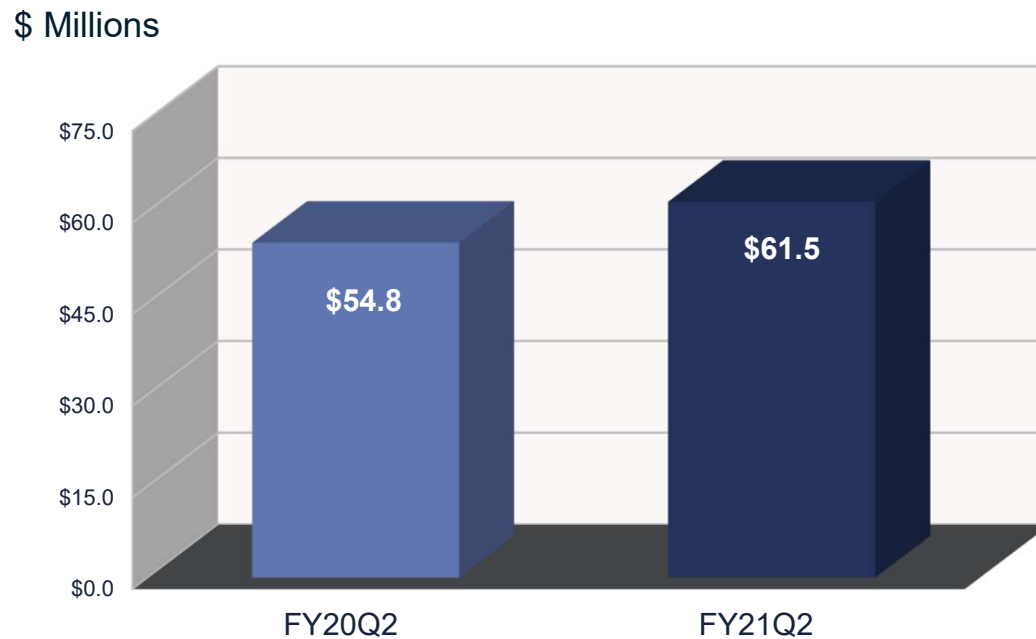


Q2 Financials



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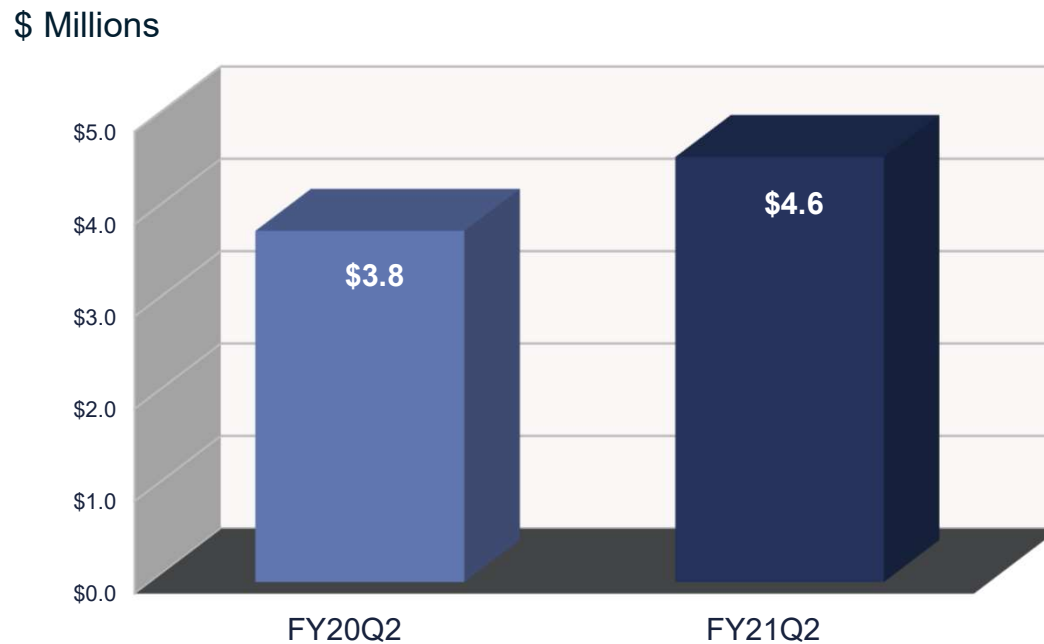
FY2021 Q2 Results: Revenue



FY21 Q2 reflects the impact from the acquisition of IBA (\$7.4 million), partially offset by reduced travel-related program revenue due to COVID-19



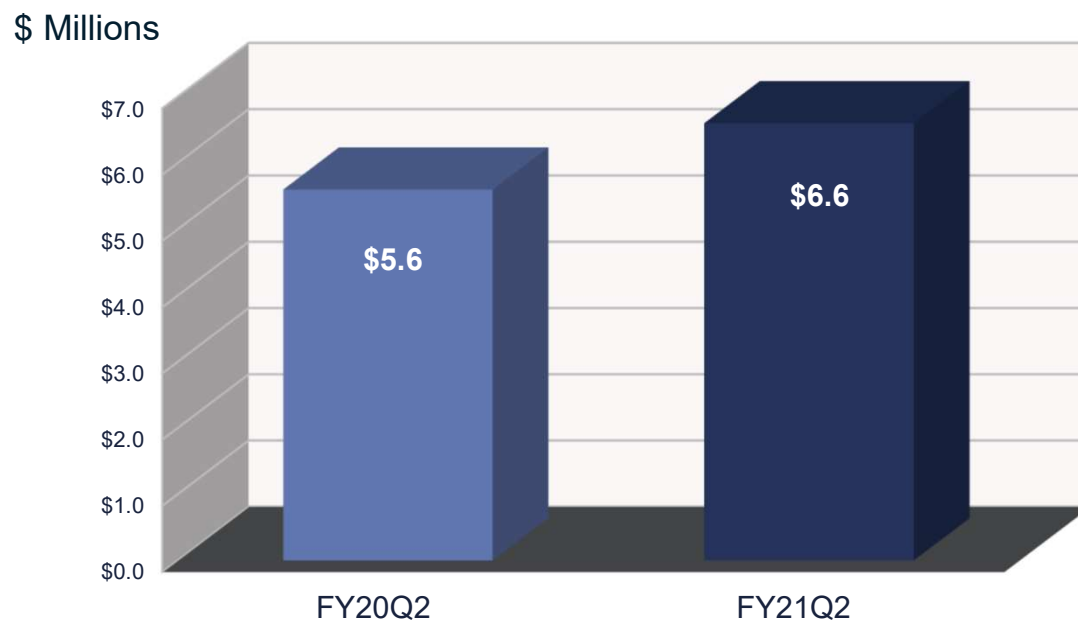
FY2021 Q2 Results: **Operating Income**



Operating income for FY21 Q2 reflects improved program mix and lower G&A expenses on increased sales



FY2021 Q2 Results: **EBITDA**



EBITDA for FY21 Q2 reflects higher revenue and improved operating leverage

A reconciliation of net income to EBITDA and EBITDA as a percentage of revenue is provided in the back of this presentation.



Debt Position and Outlook

(amount in thousands)	<u>S3</u>		<u>IBA</u>		
	<u>Acquisition</u>		<u>Acquisition</u>		
	06/07/19	09/30/19	9/30/20	12/31/20	3/31/21
Debt					
Term debt (legacy)	\$ 70,000	\$ 56,000	\$ 37,000	\$ 68,250	\$ 62,750
Term debt (IBA)	-	-	33,000	-	-
Revolving debt	-	-	-	9,150	-
Total debt	70,000	56,000	70,000	77,400	62,750
Cash on hand	(1,900)	(1,790)	(1,357)	(370)	(420)
Net debt	\$ 68,100	\$ 54,210	\$ 68,643	\$ 77,030	\$ 62,330
Total Leverage Ratio	3.47	2.67	2.80	3.04	2.44

Strong operating cash flow anticipated for remainder of 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 and 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 EBITDA as net income excluding interest expense, provision for or benefit from income taxes, and depreciation and amortization; EBITDA as a percent of revenue is 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.



FY2021 Q2 EBITDA Reconciliation

(amounts in thousands)

	Three Months Ended			Six Months Ended		
	March 31,			March 31,		
	2021	2020	Change	2021	2020	Change
Net income	\$ 2,567	\$ 2,076	\$ 491	\$ 4,381	\$ 3,628	\$ 753
(i) Interest expense, net	1,004	906	98	2,084	1,846	238
(ii) Provision for taxes	1,049	855	194	1,790	1,488	302
(iii) Depreciation and amortization	2,029	1,760	269	4,091	3,619	472
EBITDA	\$ 6,649	\$ 5,597	\$ 1,052	\$ 12,346	\$ 10,581	\$ 1,765
Net income as a % of revenue	4.2 %	3.7 %	0.5 %	3.7 %	3.4%	0.3%
EBITDA as a % of revenue	10.8 %	10.2 %	0.6 %	10.3 %	9.9%	0.4%
Revenue	\$ 61,506	\$ 54,798	\$ 6,708	\$ 119,358	\$ 107,036	\$ 12,322



Reconciliation of Leverage Ratio

(amount in thousands)	<u>S3</u> <u>Acquisition</u>		<u>IBA</u> <u>Acquisition</u>		
	06/07/19	09/30/19	9/30/20	12/31/20	3/31/21
Term Loan	\$ 70,000	\$ 56,000	\$ 70,000	\$ 68,250	\$ 62,750
Revolving Credit Loan	-	-	-	9,150	-
Letters of Credit	-	1,745	1,990	1,990	1,990
Total Funded Debt	\$ 70,000	\$ 57,745	\$ 71,990	\$ 79,390	\$ 64,740
Consolidated EBITDA	\$ 20,162	\$ 21,664	\$ 25,678	\$ 26,082	\$ 26,503
Total Leverage Ratio	3.47	2.67	2.80	3.04	2.44

Consolidated EBITDA and Total Funded Debt are calculated as per the Company's Credit Agreement.





Your Mission Is Our Passion