

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**Date of report (Date of earliest event reported): February 2, 2021**

**DLH Holdings Corp.**

(Exact name of Registrant as Specified in its Charter)

New Jersey  
(State or Other Jurisdiction of  
Incorporation)

0-18492  
(Commission File Number)

22-1899798  
(I.R.S. Employer Identification No.)

**3565 Piedmont Road, NE, Building 3, Suite 700  
Atlanta, GA 30305**

(Address of Principal Executive Offices, and Zip Code)

(770) 554-3545  
Registrant's telephone number, Including Area Code

(Former Name or Former Address, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

| <b>Title of each class</b> | <b>Trading Symbol(s)</b> | <b>Name of each exchange on which registered</b> |
|----------------------------|--------------------------|--|
| Common Stock               | DLHC                     | Nasdaq Capital Market                            |

CHECK THE APPROPRIATE BOX BELOW IF THE FORM 8-K FILING IS INTENDED TO SIMULTANEOUSLY SATISFY THE FILING OBLIGATION OF THE REGISTRANT UNDER ANY OF THE FOLLOWING PROVISIONS:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02** Results of Operations and Financial Condition

On February 2, 2021, DLH Holdings Corp. announced by press release its financial results for its fiscal quarter ended December 31, 2020. A copy of the press release is attached hereto as Exhibit 99.1.

The information furnished pursuant to Item 2.02 of this Current Report, including Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01** Financial Statements and Exhibits

(d) *Exhibits*

The following exhibit is attached to this Current Report on Form 8-K:

| <b><u>Exhibit<br/>Number</u></b> | <b><u>Exhibit Title or Description</u></b>                   |
|----------------------------------|--|
| <a href="#"><u>99.1</u></a>      | <a href="#"><u>Press Release dated February 2, 2021.</u></a> |

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

**DLH Holdings Corp.**

By: /s/ Kathryn M. JohnBull \_\_\_\_\_

Name: Kathryn M. JohnBull

Title: Chief Financial Officer

Date: February 2, 2021



## **DLH Reports Fiscal 2021 First Quarter Results**

*11% Revenue Growth, Driven by IBA; 6.3% Operating Margins; Backlog of \$665.2 Million*

**Atlanta, Georgia – February 2, 2021 - DLH Holdings Corp. (NASDAQ: DLHC) (“DLH” or the “Company”)**, a leading provider of innovative healthcare services and solutions to federal agencies, today announced financial results for its fiscal first quarter ended December 31, 2020.

### **Highlights**

- First quarter revenue increased to \$57.9 million in fiscal 2021 from \$52.2 million in fiscal 2020, reflecting the acquisition of Irving Burton Associates (“IBA”).
- Operating margins rose to 6.3% in the current year first quarter from 6.0% in the prior-year period.
- Earnings were \$1.8 million, or \$0.13 per diluted share, for the fiscal 2021 first quarter versus \$1.6 million, or \$0.12 per diluted share, for the first quarter of fiscal 2020.
- Operating cash of \$8.5 million used in the first quarter, reflecting short-term growth in receivables.
- Contract backlog was \$665.2 million as of December 31, 2020, providing strong revenue visibility.

### **Management Discussion**

“Fiscal 2021 is off to a great start, with solid revenue and strong margins indicative of how we expect the year to play out,” stated DLH President and Chief Executive Officer Zach Parker. “Our most recent acquisition, IBA, contributed nearly \$7.0 million to top line results this quarter, offset in part by a reduction in organic revenue due principally to restrictions on pass-through travel within the current COVID-19 environment. Operating margins rose 30 basis points year-over-year, to 6.3%, and we ended the quarter with a backlog of \$665.2 million – reflecting recent wins, including the previously-announced recompile of work for the AIDS Clinical Trials Group. At the same time, the pace of contract proposal activity has picked up, representing an increased diversity of program sizes and types for which DLH is now qualified to bid due to our broad range of applications – from military healthcare and research to telehealth capabilities and secure cloud computing. We’re able to leverage our combined skills and credentials to focus on new and expanding areas of government health programs.

“During the quarter growth in receivables prevented the paydown of debt we have come to expect. However, this was short-term in nature and largely reflected the impact of the Continuing Resolution on the fiscal 2021 federal budget, finally signed on December 27. In addition, a transition in key contract payment offices caused a delay in collection which has since been resolved. As such, we anticipate strong cash flow in the second quarter, leading to a resumption of our de-levering efforts. Overall, I’m pleased with our results and the outlook for fiscal 2021 given the many opportunities for growth we see coming to fruition this year.”

### **Results for the Three Months Ended December 31, 2020**

Revenue for the first quarter of fiscal 2021 was \$57.9 million versus \$52.2 million in the prior-year period. The increase was due to the Company's IBA acquisition, completed September 30, 2020, which added approximately \$7.0 million in revenue, offset in part by reductions in organic revenue principally from reimbursement of travel expenses, as compared to the prior year period. These expenses were not incurred and, therefore, were not billed to the government due to the COVID-19 pandemic.

Income from operations was \$3.6 million for the quarter versus \$3.1 million in the prior-year period and, as a percent of revenue, the Company reported an operating margin of 6.3% in fiscal 2021 versus 6.0% in fiscal 2020. The current year first quarter performance reflects improved program mix, partially offset by higher general and administrative (G&A) expenses, which as a percent of revenue decreased 70 basis points. Interest expense in the quarter increased to \$1.1 million, versus \$0.9 million for the three months ended December 31, 2019, due to higher outstanding debt levels, reflecting the acquisition of IBA. Income before taxes was \$2.6 million for the quarter versus \$2.2 million in fiscal 2020, representing 4.4% and 4.2% of revenue, respectively, for each period.

For the three months ended December 31, 2020 and 2019, DLH recorded a \$0.7 million and \$0.6 million provision for tax expense in each period, respectively. The Company reported net income of approximately \$1.8 million, or \$0.13 per diluted share, for the first quarter of fiscal 2021 versus \$1.6 million, or \$0.12 per diluted share, for the first quarter of fiscal 2020. As a percent of revenue, net income was 3.1% for the first quarter of fiscal 2021 versus 3.0% for the prior year period.

On a non-GAAP basis, EBITDA for the three months ended December 31, 2020 was approximately \$5.7 million versus \$5.0 million in the prior-year period, or 9.8% and 9.5% of revenue, respectively.

### **Key Financial Indicators**

DLH used \$8.5 million in operating cash during the fiscal 2021 first quarter, versus \$2.9 million last year, reflecting the previously described delays in collections which have been largely resolved. The Company anticipates strong operating cash flow in the fiscal second quarter and intends to resume using cash to make debt prepayments when possible.

As of December 31, 2020, the Company had cash and cash equivalents of \$0.4 million and debt outstanding under its credit facility of \$77.4 million, versus cash of \$1.4 million and debt outstanding of \$70.0 million as of September 30, 2020.

At December 31, 2020, total backlog was approximately \$665.2 million, including funded backlog of approximately \$103.9 million, and unfunded backlog of \$561.3 million.

### **Conference Call and Webcast Details**

DLH management will discuss first quarter results and provide a general business update, including current competitive conditions and strategies, during a conference call beginning at 11:00 AM Eastern Time tomorrow, February 3, 2021. Interested parties may listen to the conference call by dialing 888-347-5290 or 412-317-5256. Presentation materials will also be posted on the Investor Relations section of the DLH website prior to the commencement of the conference call.

A digital recording of the conference call will be available for replay two hours after the completion of the call and can be accessed on the DLH Investor Relations website or by dialing 877-344-7529 and entering the conference ID 10149431.

### **About DLH**

DLH (NASDAQ:DLHC) is a comprehensive health solutions and services provider that delivers a full range of technology-enabled health services across various civilian agencies, the military health system, and the Veterans Administration. The Company's services range from providing virtual pharmacy health consultation for CHAMPVA beneficiaries to veteran pharmacy fulfillment and medical logistics; conducting scientific research and clinical trials toward disease prevention and health promotion; performing medical research and development and enhancing health information technology systems (including telemedicine and electronic health records); and evaluating policy deployment and compliance with applicable protocols and guidelines, with a goal of enhancing the Company's readiness posture while providing safe, effective and integrated solutions and services to the public, armed service members, and veterans who have secured this nation's freedom. DLH has over 2,200 employees serving numerous government agencies. For more information, visit the corporate website at [www.dlhcorp.com](http://www.dlhcorp.com)

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

*This press release 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 release include, among others, statements regarding estimates of future revenues, operating income, earnings and cash flow. 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 release 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, are uncertain, cannot be predicted, and may precipitate or exacerbate other risks and uncertainties; the risk that we will not realize the anticipated benefits of the IBA or any future acquisition; the challenges of managing larger and more widespread operations resulting from the acquisition; contract awards in connection with re-competes for present business and/or competition for new business; compliance with new bank financial and other covenants; 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 our recent acquisition and any of 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.*

**CONTACTS:**

**INVESTOR RELATIONS**

Contact: Chris Witty

Phone: 646-438-9385

Email: [cwitty@darrowir.com](mailto:cwitty@darrowir.com)

TABLES TO FOLLOW

**DLH HOLDINGS CORP.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in thousands except per share amounts)

|  | <b>(unaudited)</b>        |                        |
|--|---------------------------|------------------------|
|  | <b>Three Months Ended</b> |                        |
|  | <b>December 31,</b>       |                        |
|  | <b>2020</b>               | <b>2019</b>            |
| Revenue                                    | \$ 57,852                 | \$ 52,238              |
| Cost of Operations:                        |                           |                        |
| Contract costs                             | 46,005                    | 41,340                 |
| General and administrative costs           | 6,150                     | 5,913                  |
| Depreciation and amortization              | 2,062                     | 1,859                  |
| Total operating costs                      | <u>54,217</u>             | <u>49,112</u>          |
| <b>Income from operations</b>              | <b>3,635</b>              | <b>3,126</b>           |
| Interest expense, net                      | 1,080                     | 941                    |
| <b>Income before income taxes</b>          | <b>2,555</b>              | <b>2,185</b>           |
| Income tax expense                         | 741                       | 634                    |
| <b>Net income</b>                          | <b><u>\$ 1,814</u></b>    | <b><u>\$ 1,551</u></b> |
| Net income per share - basic               | \$ 0.15                   | \$ 0.13                |
| Net income per share - diluted             | \$ 0.13                   | \$ 0.12                |
| Weighted average common shares outstanding |                           |                        |
| Basic                                      | 12,498                    | 12,088                 |
| Diluted                                    | 13,445                    | 13,014                 |



**DLH HOLDINGS CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands except par value of shares)

|   | December 31,<br>2020<br>(unaudited) | September 30,<br>2020 |
|---|-------------------------------------|-----------------------|
| <b>ASSETS</b>   |                                     |                       |
| Current assets:   |                                     |                       |
| Cash and cash equivalents   | \$ 370                              | \$ 1,357              |
| Accounts receivable   | 44,885                              | 32,541                |
| Other current assets  | 3,468                               | 3,499                 |
| <b>Total current assets</b>   | <b>48,723</b>                       | <b>37,397</b>         |
| Equipment and improvements, net   | 2,976                               | 3,339                 |
| Operating lease right-of-use assets   | 21,737                              | 22,427                |
| Deferred taxes, net   | —                                   | 37                    |
| Goodwill  | 65,450                              | 67,144                |
| Intangible assets, net  | 52,408                              | 52,612                |
| Other long-term assets  | 572                                 | 606                   |
| <b>Total assets</b>   | <b>\$ 191,866</b>                   | <b>\$ 183,562</b>     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                                     |                       |
| Current liabilities:  |                                     |                       |
| Debt obligations - current, net of deferred financing costs   | \$ 15,884                           | \$ 6,727              |
| Operating lease liabilities - current   | 2,053                               | 2,045                 |
| Accrued payroll   | 10,073                              | 10,611                |
| Accounts payable, accrued expenses, and other current liabilities   | 27,392                              | 28,578                |
| <b>Total current liabilities</b>  | <b>55,402</b>                       | <b>47,961</b>         |
| Long-term liabilities:  |                                     |                       |
| Deferred taxes, net   | 589                                 | —                     |
| Debt obligations - long term, net of deferred financing costs   | 58,923                              | 60,544                |
| Operating lease liabilities - long-term   | 21,017                              | 21,620                |
| <b>Total long-term liabilities</b>  | <b>80,529</b>                       | <b>82,164</b>         |
| <b>Total liabilities</b>  | <b>135,931</b>                      | <b>130,125</b>        |
| Shareholders' equity:   |                                     |                       |
| Common stock, \$0.001 par value; authorized 40,000 shares; issued and outstanding 12,544 and 12,404 at December 31, 2020 and September 30, 2020, respectively | 13                                  | 12                    |
| Additional paid-in capital  | 86,551                              | 85,868                |
| Accumulated deficit   | (30,629)                            | (32,443)              |
| <b>Total shareholders' equity</b>   | <b>55,935</b>                       | <b>53,437</b>         |
| <b>Total liabilities and shareholders' equity</b>   | <b>\$ 191,866</b>                   | <b>\$ 183,562</b>     |

**DLH HOLDINGS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

|   | Three Months Ended<br>December 31, |                |
|---|------------------------------------|----------------|
|   | 2020                               | 2019           |
|   | (unaudited)                        |                |
| <b>Operating activities</b>   |                                    |                |
| Net income  | \$ 1,814                           | \$ 1,551       |
| Adjustments to reconcile net income to net cash used in operating activities: |                                    |                |
| Depreciation and amortization expense   | 2,062                              | 1,859          |
| Amortization of deferred financing costs                                      | 210                                | 210            |
| Stock based compensation expense  | 458                                | 203            |
| Deferred taxes, net   | 626                                | 535            |
| Non-cash gain from lease modification   | —                                  | (121)          |
| Changes in operating assets and liabilities                                   |                                    |                |
| Accounts receivable   | (12,344)                           | (4,769)        |
| Other current assets  | 284                                | (147)          |
| Accrued payroll   | (538)                              | (254)          |
| Accounts payable, accrued expenses, and other current liabilities             | (1,185)                            | (2,103)        |
| Other long-term assets/liabilities  | 95                                 | 152            |
| <b>Net cash (used in) operating activities</b>                                | <b>(8,518)</b>                     | <b>(2,884)</b> |
| <b>Investing activities</b>   |                                    |                |
| Purchase of equipment and improvements  | (53)                               | (162)          |
| <b>Net cash (used in) investing activities</b>                                | <b>(53)</b>                        | <b>(162)</b>   |
| <b>Financing activities</b>   |                                    |                |
| Borrowing on revolving line of credit, net                                    | 9,150                              | 1,800          |
| Repayments of senior debt   | (1,750)                            | —              |
| Payment of deferred financing costs   | (41)                               | (3)            |
| Repurchased shares of common stock  | —                                  | (206)          |
| Proceeds from issuance of common stock upon exercise of options               | 225                                | 27             |
| <b>Net cash provided by financing activities</b>                              | <b>7,584</b>                       | <b>1,618</b>   |
| Net change in cash and cash equivalents                                       | (987)                              | (1,428)        |
| Cash and cash equivalents at beginning of year                                | 1,357                              | 1,790          |
| <b>Cash and cash equivalents at end of year</b>                               | <b>\$ 370</b>                      | <b>\$ 362</b>  |
| <b>Supplemental disclosures of cash flow information</b>                      |                                    |                |
| Cash paid during the period for interest                                      | \$ 852                             | \$ 845         |
| <b>Supplemental disclosures of non-cash activity</b>                          |                                    |                |
| Non-cash cancellation of common stock   | \$ —                               | \$ 95          |

## Revenue Metrics

|                              | Three Months Ended   |                      |
|------------------------------|----------------------|----------------------|
|                              | December 31,<br>2020 | December 31,<br>2019 |
| <b>Market Mix:</b>           |                      |                      |
| Defense/VA                   | 60 %                 | 46 %                 |
| Human Services and Solutions | 13 %                 | 23 %                 |
| Public Health/Life Sciences  | 27 %                 | 31 %                 |
| <b>Contract Mix:</b>         |                      |                      |
| Time and materials           | 77 %                 | 70 %                 |
| Cost reimbursable            | 20 %                 | 28 %                 |
| Firm fixed price             | 3 %                  | 2 %                  |
| <b>Prime vs Sub:</b>         |                      |                      |
| Prime                        | 89 %                 | 94 %                 |
| Subcontractor                | 11 %                 | 6 %                  |

## Non-GAAP Financial Measures

The Company uses EBITDA and EBITDA as a percent of revenue as supplemental non-GAAP measures of performance. We define EBITDA as net income excluding (i) interest expense, (ii) provision for or benefit from income taxes and (iii) depreciation and amortization. EBITDA as a percent of revenue is EBITDA for the measurement period divided by revenue for the same period.

These non-GAAP measures of performance are used by management to conduct and evaluate its business during its review of operating results for the periods presented. Management and the Company's Board utilize these non-GAAP measures to make decisions about the use of the Company's resources, analyze performance between periods, develop internal projections and measure management performance. We believe that these non-GAAP measures are useful to investors in evaluating the Company's ongoing operating and financial results and understanding how such results compare with the Company's historical performance.

## Reconciliation of GAAP net income to EBITDA, a non-GAAP measure:

(amounts in thousands)

|                                     | Three Months Ended |                 |               |
|-------------------------------------|--------------------|-----------------|---------------|
|                                     | December 31,       |                 | Change        |
|                                     | 2020               | 2019            |               |
| Net income                          | \$ 1,814           | \$ 1,551        | \$ 263        |
| (i) Interest expense, net           | 1,080              | 941             | 139           |
| (ii) Provision for taxes            | 741                | 634             | 107           |
| (iii) Depreciation and amortization | 2,062              | 1,859           | 203           |
| <b>EBITDA</b>                       | <b>\$ 5,697</b>    | <b>\$ 4,985</b> | <b>\$ 712</b> |
| Net income as a % of revenue        | 3.1 %              | 3.0 %           | 0.1 %         |
| EBITDA as a % of revenue            | 9.8 %              | 9.5 %           | 0.3 %         |
| Revenue                             | \$ 57,852          | \$ 52,238       | \$ 5,614      |