



FY2022 First Quarter Earnings Presentation: Three Months Ended 12.31.2021

ZACH PARKER | PRESIDENT & CEO

KATHRYN JOHNBULL | CFO

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Forward-looking statements

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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 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 ongoing impact of the novel coronavirus (“COVID-19”) pandemic, 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 acquisitions; 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; 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, 2021, 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.

First Quarter Highlights

Q1 revenue rose to \$152.8 million, including the short-term impact of \$91.1 million from Alaska FEMA awards

Posted Q1 operating income of \$11.2 million; as a percent of revenue, operating margin was 7.3%

First quarter EPS of \$0.55; non-GAAP EPS, excluding Alaska, of \$0.22

Term loan reduced to \$42.9 million from \$46.8 million during the quarter

Backlog \$633.6 million as of December 31, 2021

“The first quarter was an outstanding level of achievement, boosted by the short-term impact from our FEMA contracts, without which we still saw solid gains in revenue and margins.”

- Zach Parker, CEO

See appendix for reconciliations of financial results which exclude Alaska FEMA awards.



Advanced capabilities in the areas that will define the next decade of public and military health

Demand for our services in existing and adjacent markets continues to expand as federal agencies place increased emphasis on advanced technology solutions.



Advanced Medical Technology

Developing innovative solutions, including telehealth systems, mobile health



Scientific Research Capabilities

Positioned to tackle immediate and long-term public and military health challenges



Digital Transformation

Best-in-class IT, DevOps, Cloud-based PaaS solutions



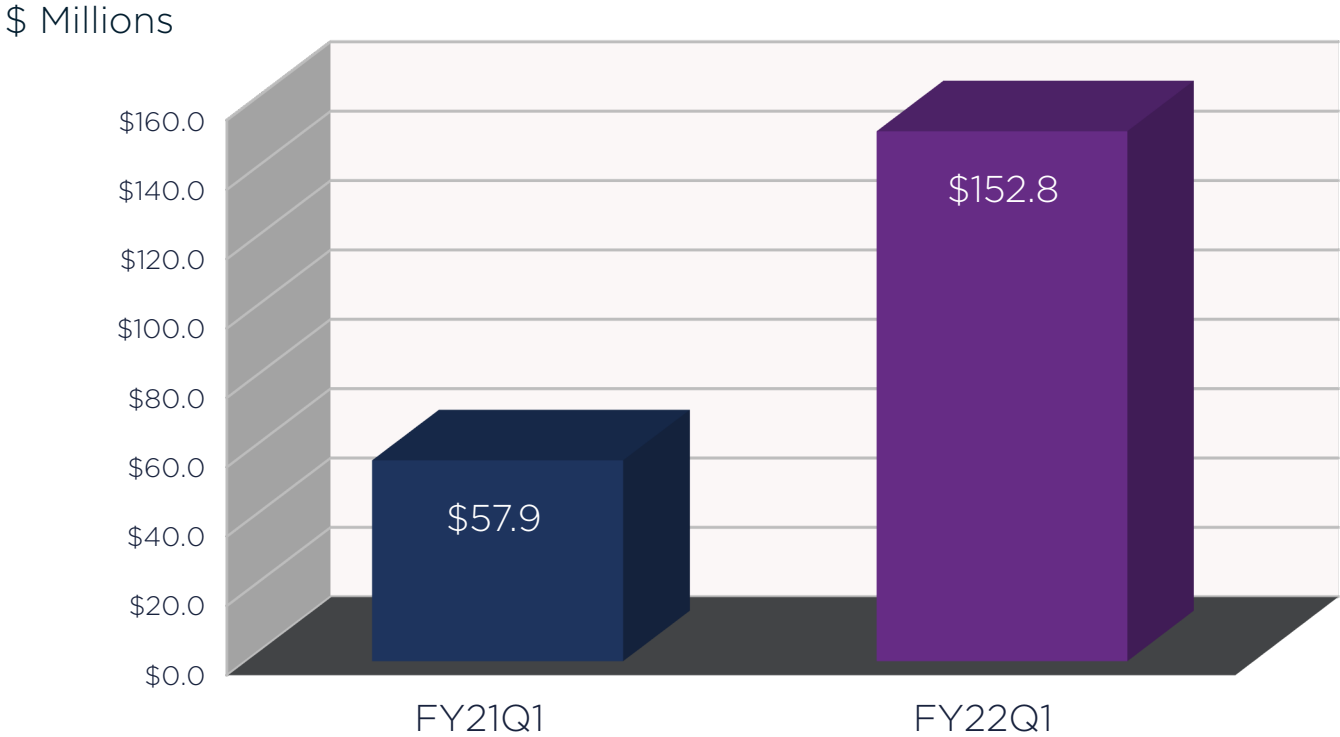
Secure Data Analytics

Large-scale data management and analysis that leverages technology with highly credentialed subject matter experts

Q1 Financials



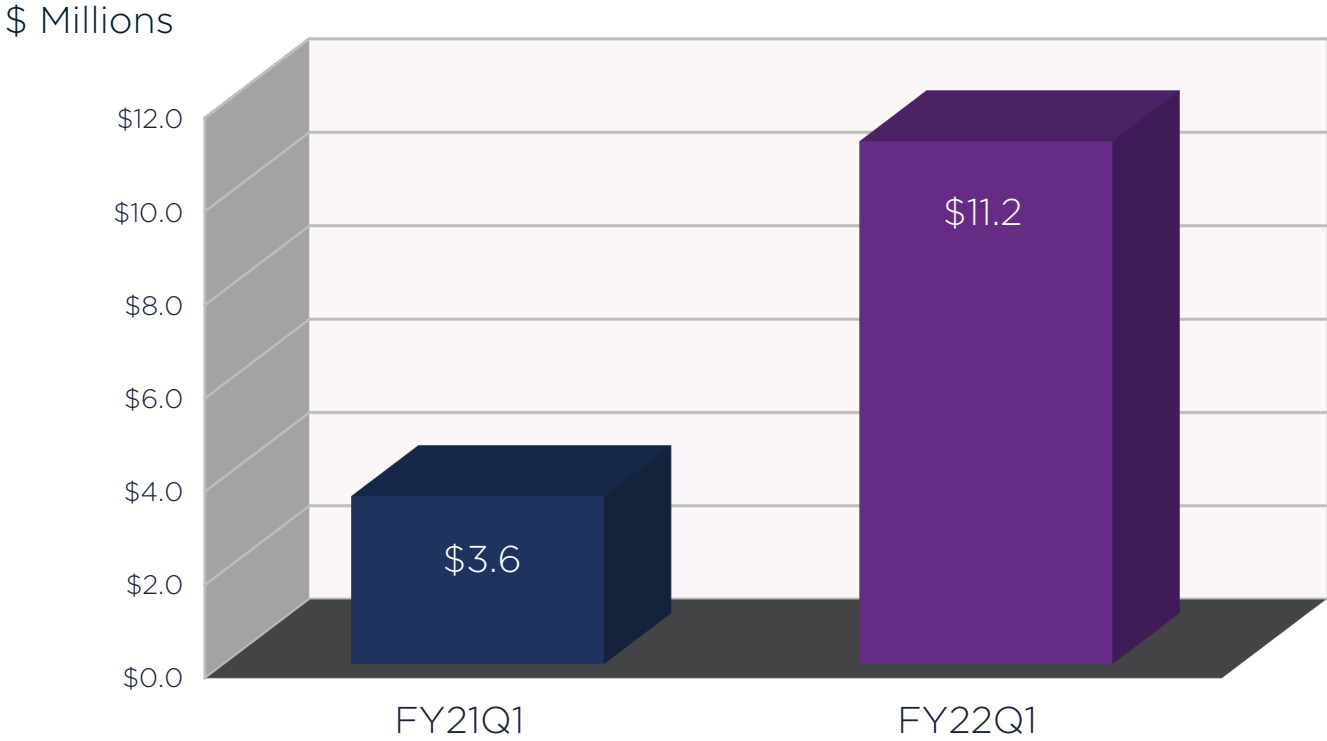
FY2022 Q1 Results: Revenue



FY22Q1 reflects the impact from short-term Alaska FEMA contracts (\$91.1 million) and growth across other business areas

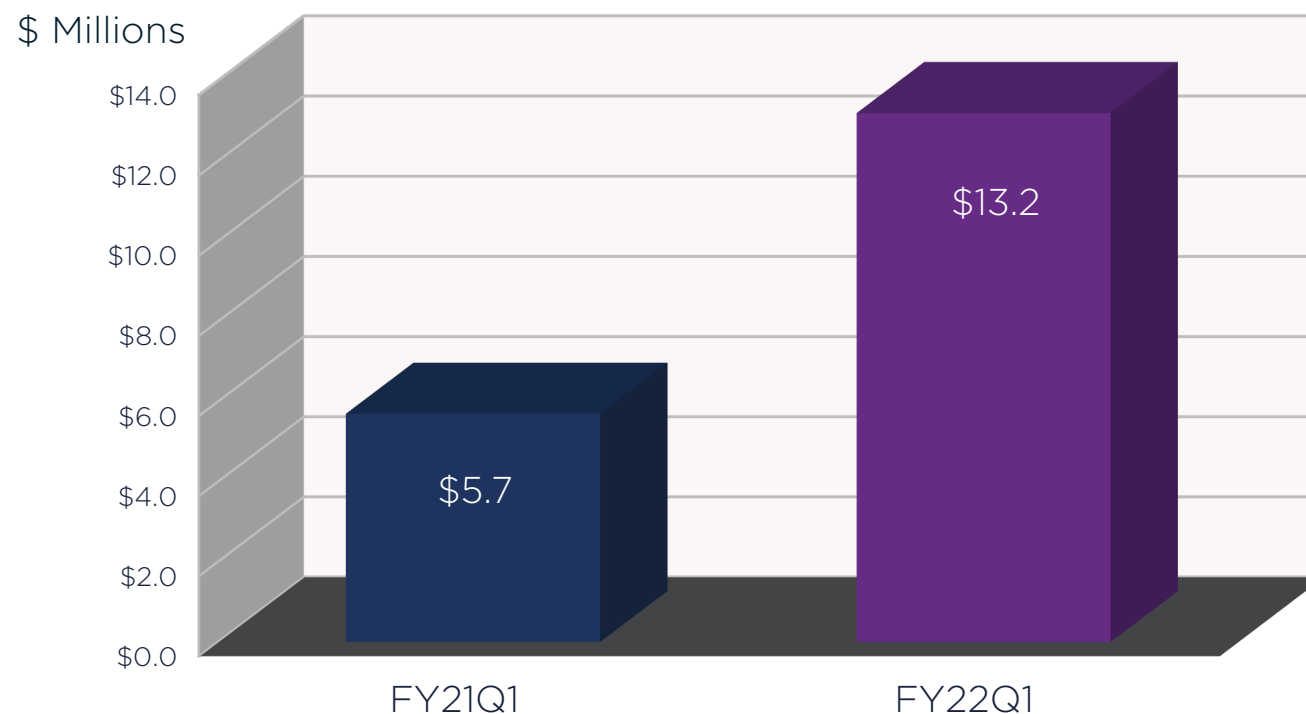


FY2022 Q1 Results: Operating Income



Operating income for FY22Q1 reflects the impact from short-term Alaska FEMA business and growth across other business areas.

FY2022 Q1 Results: EBITDA



EBITDA for FY22Q1 reflects contribution of short-term FEMA contracts (\$6.3 million) as well as the impact of higher revenue and improved operating leverage in the remaining contract portfolio.

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>IBA</u> <u>Acquisition</u>			
	09/30/19	9/30/20	9/30/21	12/31/21
Debt				
Term debt (legacy)	\$ 56,000	\$ 37,000	\$ 46,750	\$ 42,875
Term debt (IBA)	-	33,000	-	-
Revolving debt	-	-	-	-
Total debt	<u>56,000</u>	<u>70,000</u>	<u>46,750</u>	<u>42,875</u>
Cash on hand*	<u>(1,790)</u>	<u>(1,357)</u>	<u>(2,951)</u>	<u>(4,221)</u>
Net debt	<u>\$ 54,210</u>	<u>\$ 68,643</u>	<u>\$ 43,799</u>	<u>\$ 38,654</u>
Total Leverage Ratio	2.67	2.80	1.81	1.26

Reduced debt to \$42.9 million. Strong cash flow anticipated to fund additional de-levering in fiscal 2022, with a target debt position of between \$25 and \$28 million by 9/30/22.

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.

Note: Cash on hand at FY21 year end excludes \$21.1 million of contract start-up funding on the FEMA Medical Staffing Project



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.

The Company is presenting additional non-GAAP measures to describe the impact from two short-term FEMA task orders on its financial performance for the quarter ended December 31, 2021. The measures presented are revenue, net income, diluted earnings per share, and EBITDA for our enterprise contract portfolio less the respective performance on the FEMA task orders. These resulting measures present the remaining contract portfolio's quarterly financial performance compared to results delivered in the prior year period. Further information is available on Slide 13 of this presentation.

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.

FY2022 Q1 EBITDA Reconciliation

	Three Months Ended		
	December 31,		
	2021	2020	Change
Net income	\$ 7,804	\$ 1,814	\$ 5,990
(i) Interest expense, net	672	1,080	(408)
(ii) Provision for taxes	2,743	741	2,002
(iii) Depreciation and amortization	1,985	2,062	(77)
EBITDA	\$ 13,204	\$ 5,697	\$ 7,507
Net income as a % of revenue	5.1 %	2.7 %	2.4 %
EBITDA as a % of revenue	8.6 %	9.8 %	(1.2)%
Revenue	\$ 152,801	\$ 57,852	\$ 94,949

FY2022 Q1 FEMA Business Reconciliation

(in thousands)	Ref	Three Months Ended		
		December 31,		
		2021	2020	Change
Revenue				
Total enterprise		\$ 152,801	\$ 57,852	\$ 94,949
Less: FEMA task orders to support Alaska	(a)	91,125	—	91,125
Remaining contract portfolio	(a)	\$ 61,676	\$ 57,852	\$ 3,824
Net income				
Total enterprise		\$ 7,804	\$ 1,814	\$ 5,990
Less: FEMA task orders to support Alaska	(b)	4,696	—	4,696
Remaining contract portfolio	(b)	\$ 3,108	\$ 1,814	\$ 1,294
Diluted earnings per share				
Total enterprise		\$ 0.55	\$ 0.13	\$ 0.42
Less: FEMA task orders to support Alaska	(c)	0.33	—	0.33
Remaining contract portfolio	(c)	\$ 0.22	\$ 0.13	\$ 0.09
EBITDA				
Total enterprise		\$ 13,204	\$ 5,697	\$ 7,507
Less: FEMA task orders to support Alaska	(d)	6,346	—	6,346
Remaining contract portfolio	(d)	\$ 6,858	\$ 5,697	\$ 1,161

Ref (a): Revenue for the Company's remaining contract portfolio less the FEMA task orders represents our consolidated revenues less the revenues generated from the FEMA task orders.

Ref (b): Net income attributable to the remaining contract portfolio less the FEMA task orders represents the Company's consolidated net income, determined in accordance with GAAP, less the net income derived from the FEMA task orders. Net income for the FEMA task orders is derived by subtracting from the revenue attributable to such task orders during the three months ended December 31, 2021 of \$91.1 million the following amounts: contract costs of \$84.2 million, general & administrative costs of \$0.6 million, and income tax expense of \$1.6 million. Net income for the remaining contract portfolio for the three months ended December 31, 2021 represents the Company's consolidated net income for such period less the net income attributable to the FEMA task orders for such period.

Ref (c): Diluted earnings per share (diluted EPS) for the FEMA task orders is calculated using the net income attributable to such task orders as opposed to GAAP net income. Diluted EPS for the remaining contract portfolio (total contract portfolio excluding the FEMA task orders) is calculated by subtracting the diluted EPS for the FEMA task orders from the Company's total diluted EPS.

Ref (d): EBITDA attributable to the FEMA tasks orders of \$6.3 million is derived by adding income tax expense attributable to those task orders of \$1.6 million to the net income attributable to those task orders of \$4.7 million. EBITDA for the remaining contract portfolio is calculated by subtracting the EBITDA attributable to the FEMA task orders from the Company's total EBITDA.

Reconciliation of Leverage Ratio

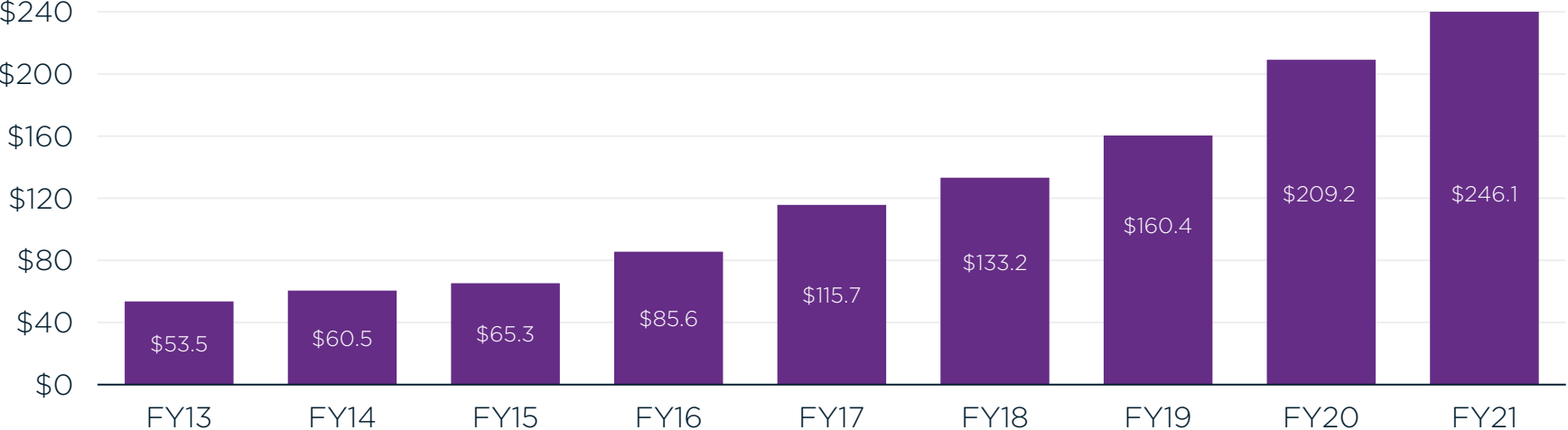
<u>(amount in thousands)</u>	<u>09/30/19</u>	<u>IBA</u> <u>Acquisition</u> <u>9/30/20</u>	<u>9/30/21</u>	<u>12/31/21</u>
Term Loan	\$ 56,000	\$ 70,000	\$ 46,750	\$ 42,875
Revolving Credit Loan	-	-	-	-
Letters of Credit	<u>1,745</u>	<u>1,990</u>	<u>2,095</u>	<u>2,095</u>
Total Funded Debt	\$ 57,745	\$ 71,990	\$ 48,845	\$ 44,970
Consolidated EBITDA	\$ 21,664	\$ 25,678	\$ 26,997	\$ 35,636
Total Leverage Ratio	2.67	2.80	1.81	1.26

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

Performance Trends

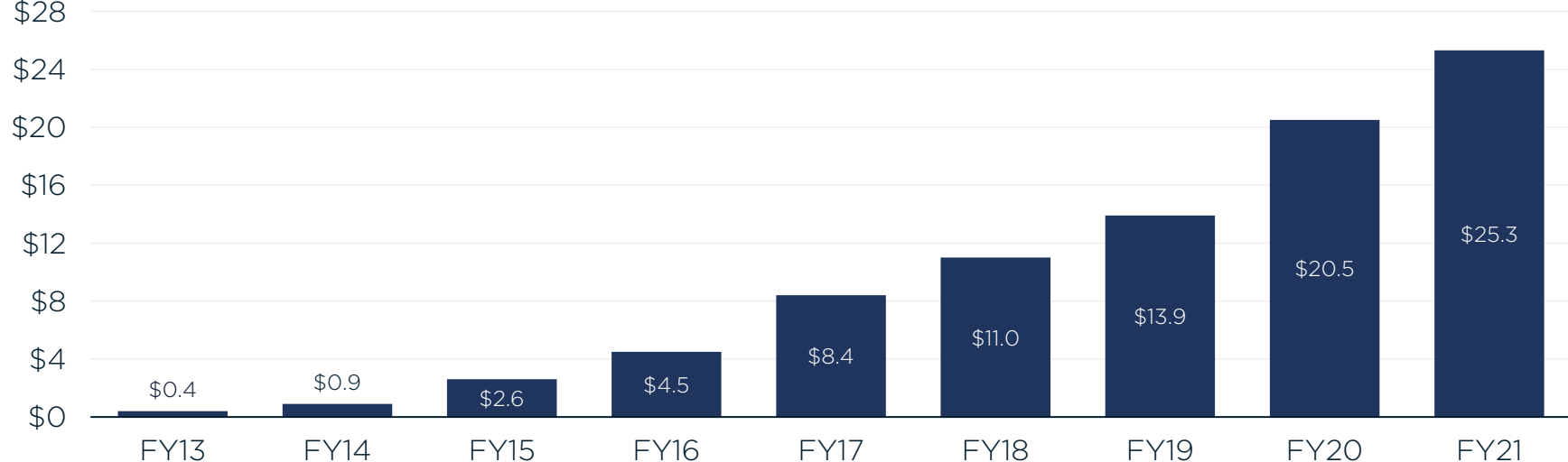
Historical Revenue

\$ millions



Historical EBITDA

\$ millions



Trending EBITDA Reconciliation

	Twelve Months Ended								
	September 30,								
<i>(amounts in thousands)</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (loss)/income	\$ (159)	\$ 5,357	\$ 8,728	\$ 3,384	\$ 3,288	\$ 1,836	\$ 5,324	\$ 7,114	\$ 10,145
(i) Interest expense/other (income)	407	4	(744)	823	1,228	1,116	2,473	3,441	3,784
(ii) (Benefit)/provision for taxes	-	(4,597)	(5,488)	(938)	2,114	5,830	2,171	2,906	3,294
(iii) Depreciation and amortization	121	106	55	1,244	1,754	2,242	3,956	7,003	8,115
EBITDA	\$ 369	\$ 870	\$2,551	\$4,513	\$ 8,384	\$11,024	\$13,924	\$20,464	\$25,338
Revenue	\$53,506	\$60,493	\$65,346	\$85,602	\$115,662	\$133,236	\$160,391	\$209,185	\$246,094
Net income as a % of revenue	-0.3%	8.9%	13.4%	4.0%	2.8%	1.4%	3.3%	3.4%	4.1%
EBITDA as a % of revenue	0.7%	1.4%	3.9%	5.3%	7.2%	8.3%	8.7%	9.8%	10.3%



Your Mission Is Our Passion

