



**FY26**

# **First Quarter Earnings**

**Three Months Ended 12.31.25**

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**February 10, 2026**

# CALL PARTICIPANTS

**ZACH PARKER**

*President & Chief Executive Officer*

**KATHRYN JOHNBULL**

*Chief Financial Officer*

## **“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: 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 diversion of management’s attention from normal daily operations of the business and the challenges of managing larger and more widespread; the inability to retain employees and customers; contract awards in connection with recompetes for present business and/or competition for new business; our ability to manage our increased debt obligations; 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 impact of inflation and higher interest rates; 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, 2025, 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.

## Improved federal funding environment supports organic growth initiatives

- Fiscal 2026 budget appropriations provides clarity and stability for the balance of the fiscal year
- Key Federal Health agencies received funding increases as compared to fiscal 2025 levels, reversing earlier projections of significant reductions

## Strengthening demand signals across core markets

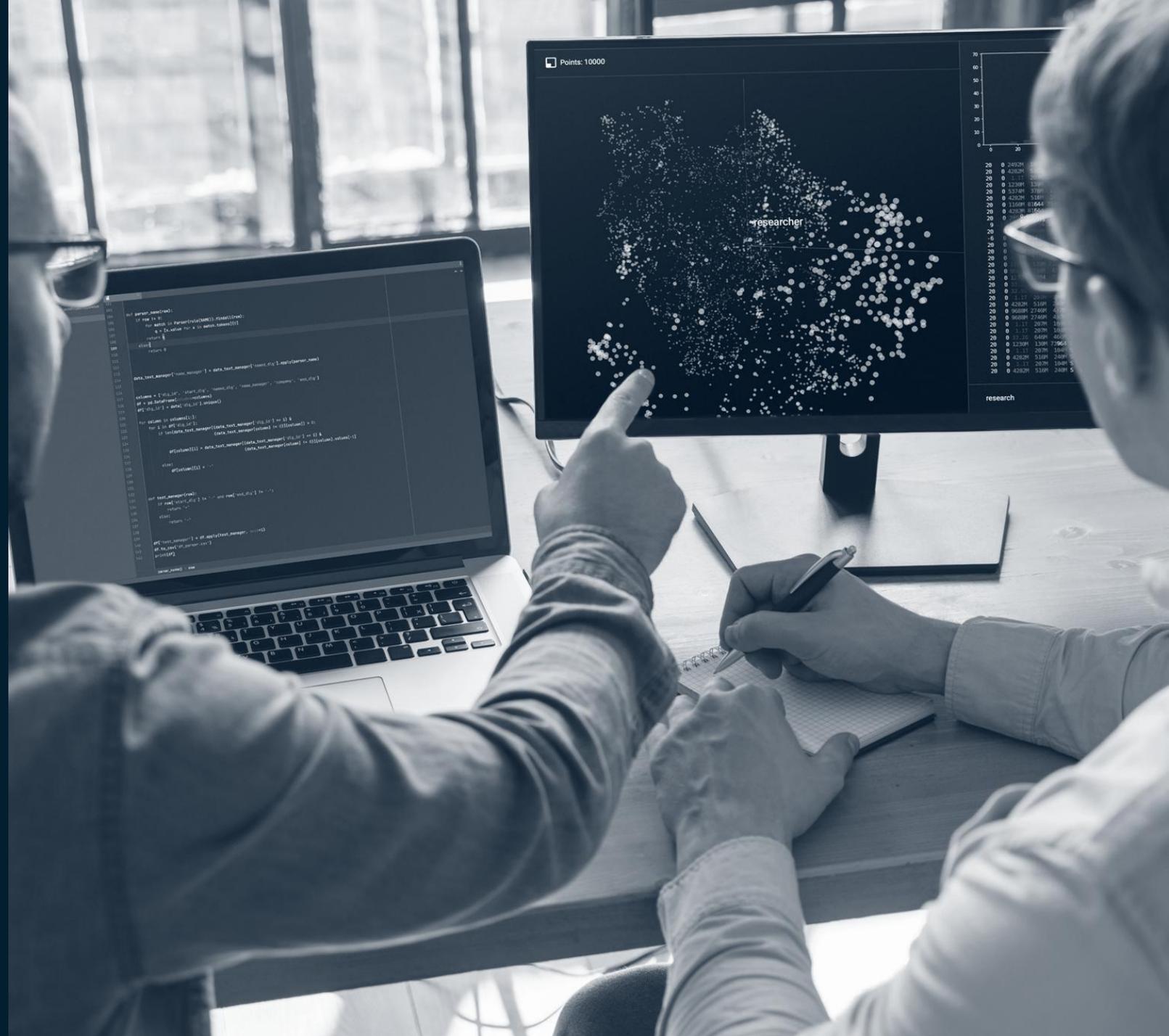
- Defense & Intelligence customers are emphasizing rapid capability delivery, cost efficiency and advanced technology integration – areas aligned with DLH's proven strengths
- Federal Health strategies continue to prioritize data modernization, interoperability, cybersecurity (Zero Trust), cloud migration, and AI adoption – positioning DLH competitively for modernization-driven awards

## Improved operating leverage delivers margin restoration

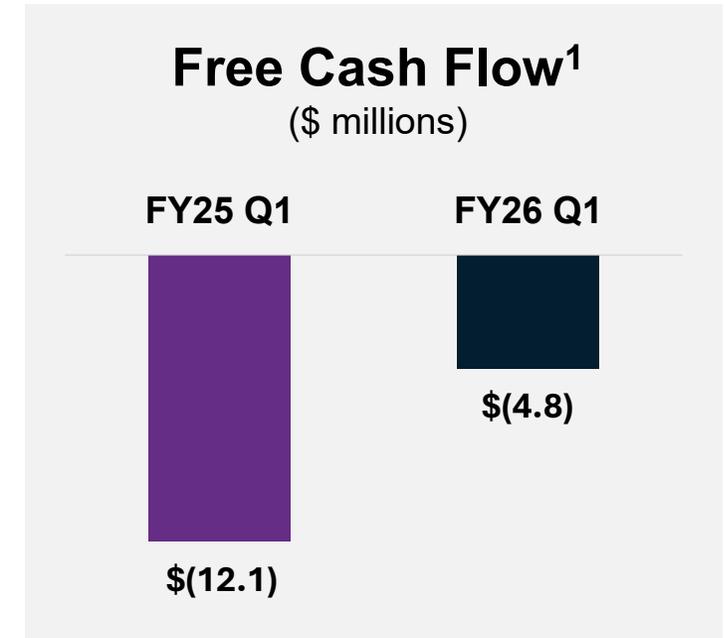
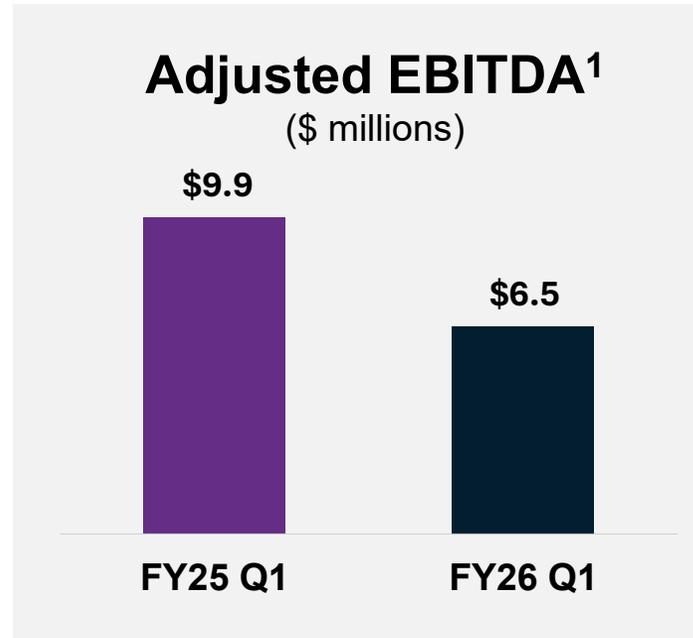
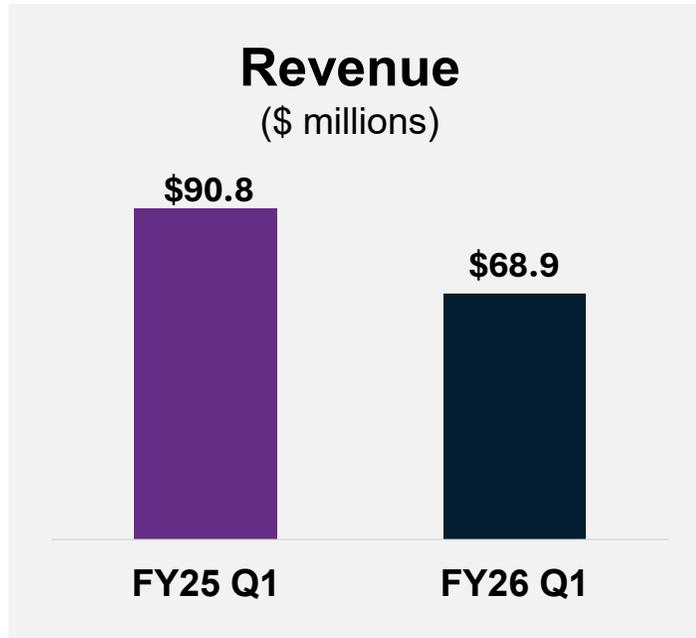
- Adjusted EBITDA<sup>1</sup> was \$6.5 million, which was 9.5% of revenue for the quarter
- Short-term debt increases driven by prepayment of labor and payroll tax expenses timed around public holidays



# FINANCIAL RESULTS



# FY26 Q1 results



\$56.7    *TPS Revenue<sup>2</sup>*    \$42.0

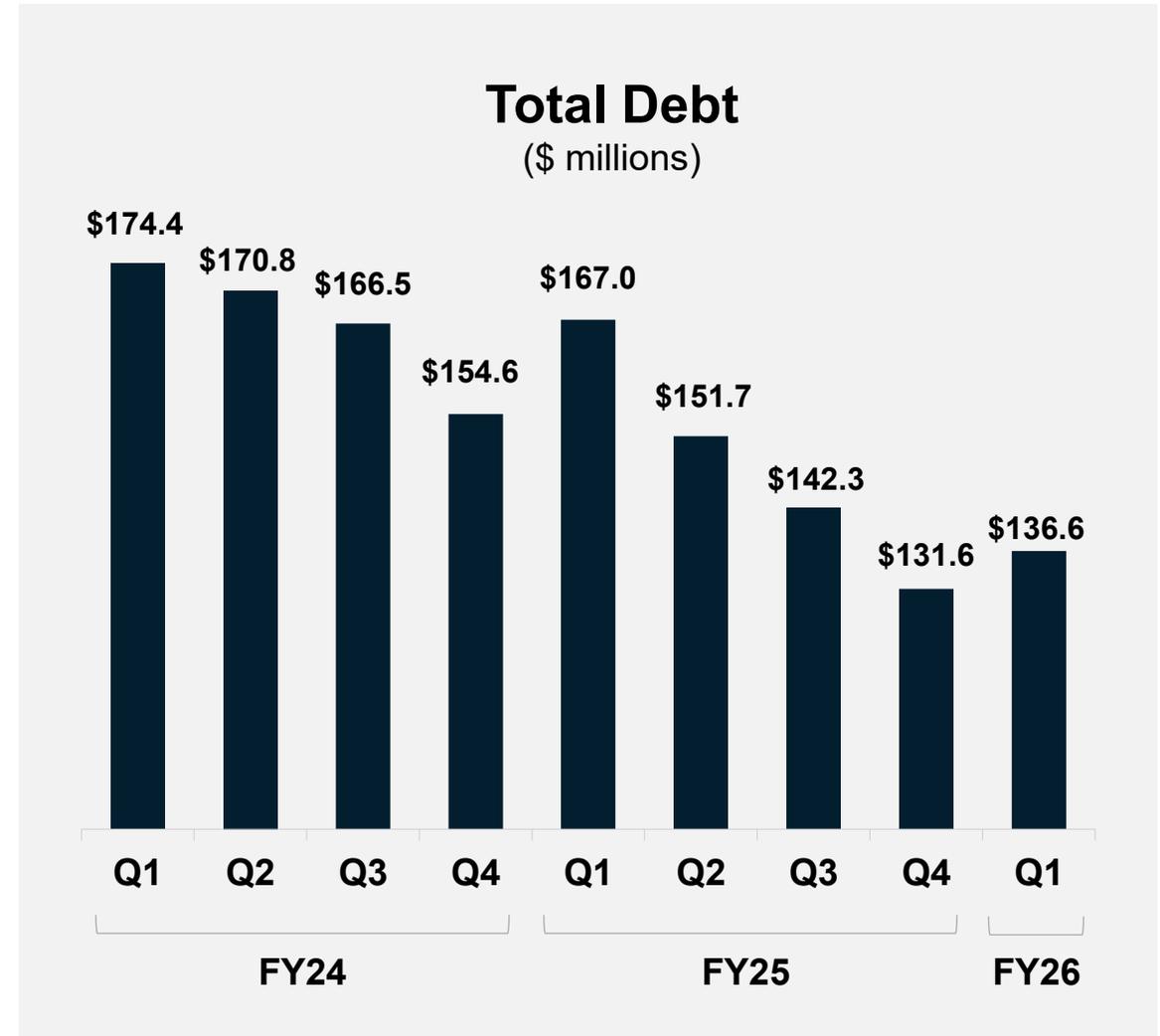
1. A full reconciliation of non-GAAP measures is available in the Appendix.  
2. Revenue from Technology-Powered Solutions excludes that from the VA CMOP program.

# Debt increase driven short-term working capital demands



**Strong Free Cash Flow expected to yield available capital to further reduce long-term debt by fiscal year-end**

- Collections accelerated in quarter 2<sup>nd</sup> half after resolution of government shutdown
- Remain well ahead of mandatory term repayment schedule with additional prepayments executed
- Compliant with all financial covenants as small-business transition is materially complete
- Expect to convert 50-55% of EBITDA earned during the fiscal year to debt reduction by the end of 4<sup>th</sup> quarter





# APPENDIX



# Non-GAAP Reconciliations



The Company uses EBITDA, Adjusted EBITDA, EBITDA as a percent of revenue, and Adjusted EBITDA as a percent of revenue as supplemental non-GAAP measures of performance. The Company uses Free Cash Flow as a supplemental non-GAAP liquidity measure. We define the measures as following:

EBITDA and Adjusted EBITDA represent net (loss) income excluding depreciation and amortization, interest expense, and provision for income taxes; Adjusted EBITDA further excludes costs associated with scaling general and administrative expenses to revenue volume.

EBITDA and Adjusted EBITDA as a percent of revenue are calculated by dividing EBITDA or Adjusted EBITDA, respectively, for the measurement period by revenue for the same period.

Free cash flow is net cash provided by operating activities less the impact of purchases of equipment and improvements.

EBITDA, Adjusted EBITDA, EBITDA as a percent of revenue, and Adjusted EBITDA as a percent of revenue are non-GAAP measures of performance and are used by management to conduct and evaluate its business during its review of operating results for the periods presented. Free Cash Flow, a non-GAAP liquidity measure, is used by management to assess our ability to generate cash from our business operations and plan for future operating and capital actions.

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.

EBITDA, Adjusted EBITDA, EBITDA as a percent of revenue, Adjusted EBITDA as a percent of revenue, and free cash flow are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance and liquidity investors should (i) evaluate adjustments in our reconciliation to the nearest GAAP financial measures and (ii) use non-GAAP measures in addition to, and not as an alternative to, measures of our operating results, as defined under GAAP.

	Three Months Ended		
	December 31,		
	2025	2024	Change
<i>(in thousands)</i>			
<b>Adjusted EBITDA Reconciliation</b>			
<b>Net (loss) income</b>	\$ (1,324)	\$ 1,115	\$ (2,439)
<b>Depreciation and amortization</b>	4,300	4,307	(7)
<b>Interest expense, net</b>	3,396	4,133	(737)
<b>Provision for income tax expense</b>	(636)	389	(1,025)
<b>EBITDA</b>	\$ 5,736	\$ 9,944	\$ (4,208)
<b>Cost scaling initiatives</b>	808	--	808
<b>Adjusted EBITDA</b>	\$ 6,544	\$ 9,944	\$ (3,400)
<b>Net income Margin on Revenue</b>	(1.9)%	1.2%	
<b>EBITDA Margin on Revenue</b>	8.3%	11.0%	
<b>Adjusted EBITDA Margin on Revenue</b>	9.5%	11.0%	
<b>Revenue</b>	\$ 68,892	\$ 90,782	
<b>Free Cash Flow Reconciliation</b>			
<b>Net cash used in operating activities</b>	\$ (4,770)	\$ (11,538)	\$ 6,768
<b>Less: purchases of equipment and improvements</b>	(39)	(552)	513
<b>Free Cash Flow</b>	\$ (4,809)	\$ (12,090)	\$ 7,281