UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended December 31, 2020

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 0-18492

DLH HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	**22-1899798** (I.R.S. Employer Identification No.)
3565 Piedmont Road, NE, Building 3, Suite 700 **Atlanta, Georgia** (Address of principal executive offices)	**30305** (Zip Code)

(770) 554-3545
(Registrant's telephone number, including area code)

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	DLHC	Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer x	Smaller Reporting Company x
	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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 12,543,906 shares of Common Stock, par value $0.001 per share, were outstanding as of January 31, 2021.

DLH HOLDINGS CORP.
FORM 10-Q

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PART I — FINANCIAL INFORMATION

ITEM I: FINANCIAL STATEMENTS

DLH HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	(unaudited) Three Months Ended December 31,	
	2020	**2019**
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	54,217	49,112
Income from operations	**3,635**	**3,126**
Interest expense, net	1,080	941
Income before income taxes	**2,555**	**2,185**
Income tax expense	741	634
Net income	**$ 1,814**	**$ 1,551**
Net income per share - basic	$ 0.15	$ 0.13
Net income per share - diluted	$ 0.13	$ 0.12
Weighted average common stock outstanding		
Basic	12,498	12,088
Diluted	13,445	13,014

The accompanying notes are an integral part of these consolidated financial statements.

DLH HOLDINGS CORP.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value of shares)

	December 31, 2020 (unaudited)	September 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 370	$ 1,357
Accounts receivable	44,885	32,541
Other current assets	3,468	3,499
Total current assets	48,723	37,397
Equipment and improvements, net	2,976	3,339
Operating leases 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
Total assets	**$ 191,866**	**$ 183,562**
LIABILITIES AND SHAREHOLDERS' EQUITY		
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
Total current liabilities	55,402	47,961
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
Total long-term liabilities	80,529	82,164
Total liabilities	135,931	130,125
Shareholders' equity:		
Common stock, $0.001 par value; authorized 40,000 shares; issued and outstanding 12,544 and 12,404 at December 31, 2020 and September 30, 2020, respectively	13	12
Additional paid-in capital	86,551	85,868
Accumulated deficit	(30,629)	(32,443)
Total shareholders' equity	55,935	53,437
Total liabilities and shareholders' equity	**$ 191,866**	**$ 183,562**

The accompanying notes are an integral part of these consolidated financial statements.

DLH HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	(unaudited) Three Months Ended December 31,	
	2020	**2019**
Operating activities		
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
Net cash (used in) operating activities	**(8,518)**	**(2,884)**
Investing activities		
Purchase of equipment and improvements	(53)	(162)
Net cash (used in) investing activities	**(53)**	**(162)**
Financing activities		
Borrowing on revolving line of credit, net	9,150	1,800
Repayments of senior debt	(1,750)	—
Payment of debt financing costs	(41)	(3)
Repurchase of common stock	—	(206)
Proceeds from issuance of common stock upon exercise of options	225	27
Net cash provided by financing activities	**7,584**	**1,618**
Net change in cash and cash equivalents	(987)	(1,428)
Cash and cash equivalents at beginning of period	1,357	1,790
Cash and cash equivalents at end of period	**$ 370**	**$ 362**
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	$ 852	$ 845
Supplemental disclosures of non-cash activity		
Non-cash cancellation of common stock	$ —	$ 95

The accompanying notes are an integral part of these consolidated financial statements.

DLH HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(unaudited)

	Common Stock			Treasury Stock				Additional Paid-In Capital		Accumulated Deficit		Total Shareholders' Equity
	Shares		Amount	Shares		Amount						
Three Months Ended December 31, 2020												
Balance at September 30, 2020	12,404	$	12	—	$	—	$	85,868	$	(32,443)	$	53,437
Expense related to director restricted stock unit	78		—	—		—		116		—		116
Expense related to employee stock based compensation	—		—	—		—		342		—		342
Exercise of stock options	62		1	—		—		225		—		226
Net income	—		—	—		—		—		1,814		1,814
Balance at December 31, 2020	**12,544**	**$**	**13**	**—**		**—**	**$**	**86,551**	**$**	**(30,629)**	**$**	**55,935**

	Common Stock				Treasury Stock				Additional Paid-In Capital		Accumulated Deficit		Total Shareholders' Equity
	Shares		Amount		Shares		Amount						
Three Months Ended December 31, 2019													
Balance at September 30, 2019	12,036	$	12	$	—	$	—	$	85,114	$	(39,555)	$	45,571
Cumulative-effect adjustment for adoption of ASC 842	—		—		—		—		—		(2)		(2)
Expense related to director restricted stock unit	90		—		—		—		87		—		87
Expense related to employee stock options	—		—		—		—		116		—		116
Exercise of stock options	20		—		—		—		27		—		27
Repurchases of common stock	—		—		27		(111)		—		—		(111)
Cancellation of common stock	(22)		—		—		—		(95)		—		(95)
Net income	—		—		—		—		—		1,551		1,551
Balance at December 31, 2019	**12,124**	**$**	**12**		**27**	**$**	**(111)**	**$**	**85,249**	**$**	**(38,006)**	**$**	**47,144**

The accompanying notes are an integral part of these consolidated financial statements.

DLH HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

1. Basis of Presentation

The accompanying consolidated financial statements include the accounts of DLH Holdings Corp. and its subsidiaries (together with its subsidiaries, "DLH" or the "Company" and also referred to as "we," "us" and "our"), all of which are wholly owned. All significant intercompany balances and transactions have been eliminated in consolidation. The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

In management's opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended December 31, 2020 are not necessarily indicative of the results that may be expected for the year ending September 30, 2021. Amounts as of and for the periods ended December 31, 2020 and December 31, 2019 are unaudited. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2020 filed with the Securities and Exchange Commission on December 7, 2020.

2. Business Overview

The Company is a full-service provider of technology-enabled health and human services, providing solutions to three market focus areas: Defense and Veterans' Health Solutions, Human Solutions and Services, and Public Health and Life Sciences. We deliver domain-specific expertise, industry best-practices and innovations to customers across these markets leveraging seven core competencies: secure data analytics, clinical trials and laboratory services, case management, performance evaluation, system modernization, operational logistics and readiness, and strategic digital communications. The Company manages its operations from its principal executive offices in Atlanta, Georgia, and we have a complementary headquarters office in Silver Spring, Maryland. We employ over 2,200 skilled employees working in more than 30 locations throughout the United States and one location overseas.

At present, the Company derives 99% of its revenue from agencies of the Federal government, primarily as a prime contractor but also as a subcontractor to other Federal prime contractors.

Our two largest customers are the Department of Veteran Affairs ("VA") and the Department of Health and Human Services ("HHS"). The VA comprised approximately 48% and 46% of revenue for the three months ended December 31, 2020 and 2019, respectively, and HHS comprised approximately 35% and 46% of revenue for the three months ended December 31, 2020 and 2019, respectively.

3. New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") 2016-13, Financial Instruments - Credit Losses, which requires companies to record an allowance for expected credit losses over the contractual term of certain financial assets, including short-term trade receivables and contract assets. Additionally, it expands disclosure requirements for credit quality of financial assets. ASU 2016-13 became effective for the Company in the first quarter of fiscal year 2021. The adoption of this standard did not have a material impact on our operating results, financial position, or cash flows. For further detail of our outstanding receivables see Note 7.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848), which provides optional expedients and exceptions for the application of U.S. GAAP to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") and other reference rates expected to be discontinued due to reference rate reform. ASU 2020-04 became effective on March 12, 2020 for all entities meeting certain criteria. The Company may elect to apply the amendments using a prospective approach through December 31, 2022. The Company is currently assessing the impact of electing this standard on its consolidated financial statements and related disclosures and does not expect the impact to be material.

In April 2020, the FASB issued a Staff Q&A, Topic 842 and 840: Accounting For Lease Concessions Related to the Effects of the COVID-19 Pandemic in order to provide clarity regarding the accounting treatment for lease concessions provided as a result of COVID-19. Under existing lease guidance, changes to certain lease terms not specified in the original lease agreement require modification accounting treatment. To provide relief, the FASB Staff Q&A permits alternatives to modification accounting under Topic 842. For concessions related to the effects of the COVID-19 pandemic that do not result in a substantial increase in the rights of the lessor or our obligations as the lessee, we are not required to analyze each contract to determine whether enforceable rights and obligations for concessions exist in the lease agreement and can elect to apply or not apply the lease modification guidance in Topic 842. For the quarter ended December 31, 2020, we elected to account for lease concessions received for one of our operating leases as a resolution of a contingency, whereby we remeasured our lease liability and recorded the adjustment against the right-of-use asset, without reassessing lease classification or modifying the original discount rate. As a result of this election, our lease liability and right-of-use-asset decreased by less than $0.1 million.

In August 2020, the FASB issued ASU 2020-06, which amends the measurement and disclosure of convertible instruments, contracts in an entity's own equity, and EPS guidance. The guidance can be adopted using a modified retrospective method or a fully retrospective method. The amendments are effective for fiscal years beginning after December 15, 2021 for public entities, excluding those that are smaller reporting companies. For all other entities the amendments are effective for fiscal years beginning after December 15, 2023. The Company does not expect the update to have a material impact on its consolidated financial statements and related disclosures.

4. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of goodwill and intangible assets, interest rate swaps, stock-based compensation, right-of-use assets and lease liabilities, valuation allowances established against accounts receivable and deferred tax assets, and measurement of loss development on workers' compensation claims. We evaluate these estimates and judgments on an ongoing basis and base our estimates on historical experience, current and expected future outcomes, third-party evaluations and various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. We revise material accounting estimates if changes occur, such as more experience is acquired, additional information is obtained, or there is new information on which an estimate was or can be based. Actual results could differ from those estimates. In particular, a material reduction in the fair value of goodwill could have a material adverse effect on the Company's financial position and results of operations. We account for the effect of a change in accounting estimate during the period in which the change occurs.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, accrued expenses, and accounts payable approximate fair value due to the short-term nature of these instruments. The fair values of the Company's debt instruments approximated fair value because the underlying interest rates approximate market rates that the Company could obtain for similar instruments at the balance sheet dates.

Long-Lived Assets

Our long-lived assets include equipment and improvements, intangible assets, and goodwill. The Company continues to review long-lived assets for possible impairment or loss of value at least annually, or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

Equipment and improvements are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful asset lives (3 to 7 years) and the shorter of the initial lease term or estimated useful life for leasehold improvements. Intangible assets (other than goodwill) are originally recorded at fair value and are amortized on a straight-line basis over their estimated useful lives of 10 years. Maintenance and repair costs are expensed as incurred.

Leases

Right-of-use assets are measured at the present value of future minimum lease payments, including all probable renewals, plus lease payments made to the lessor before or at lease commencement and indirect costs paid, less incentives received. Our right-of-use assets include long-term leases for facilities and equipment and are amortized over their respective lease terms.

Goodwill

At September 30, 2020, we performed a goodwill impairment evaluation on the year-end carrying value of approximately $67 million. We performed a qualitative assessment of factors to determine whether it was necessary to perform the goodwill impairment test. Based on the results of the work performed, the Company has concluded that no impairment loss was warranted at September 30, 2020. For the three months ended December 31, 2020, the Company determined that no change in business conditions occurred which would have a material adverse effect on the valuation of goodwill. Our assessment incorporated effects of the COVID-19 pandemic, which is not expected to have a meaningful impact on our financial results. Notwithstanding this evaluation, factors including non-renewal of a major contract or other substantial changes in business conditions could have a material adverse effect on the valuation of goodwill in future periods and the resulting charge could be material to future periods' results of operations.

Income Taxes

The Company accounts for income taxes in accordance with the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the consolidated balance sheet when it is determined that it is more likely than not that the asset will be realized. This guidance also requires that
deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax asset will not be realized. We account for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon the technical merits, it is "more-likely-than-not" that the position will be sustained upon examination. We had no uncertain tax positions at either December 31, 2020 or September 30, 2020. We report interest and penalties as a component of income tax expense. During the three months ended December 31, 2020 and December 31, 2019, we recognized no interest and no penalties related to income taxes.

Stock-Based Equity Compensation

The Company uses the fair value-based method for stock-based equity compensation. Options issued are designated as either an incentive stock option or a non-statutory stock option. No option may be granted with a term of more than 10 years from the date of grant. Option awards may depend on achievement of certain performance measures determined by the Compensation Committee of our Board. Shares issued upon option exercise are newly issued common shares. All awards to employees and non-employees are recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses a Monte Carlo binomial and Black Scholes option pricing models, as appropriate to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to common stock.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. We maintain cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. Deposits held with financial institutions may exceed the $250,000 limit.

Earnings Per Share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common stock outstanding and restricted stock grants that vested or are likely to vest during the period. Diluted earnings per share is calculated by dividing income available to common shareholders by the weighted average number of basic common shares outstanding, adjusted to reflect potentially dilutive securities. Diluted earnings per share is calculated using the treasury stock method.

Treasury Stock

The Company periodically purchases its own common stock that is traded on public markets as part of announced stock repurchase programs. The repurchased common stock is classified as treasury stock on the consolidated balance sheets and held at cost. As of December 31, 2020 and September 30, 2020, the Company did not hold any treasury stock.

Preferred Stock

Our certificate of incorporation authorizes the issuance of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our board of directors up to an aggregate of 5,000,000 shares of preferred stock. As of December 31, 2020 and September 30, 2020, the Company has not issued any preferred stock.

Interest Rate Swap

The Company uses derivative financial instruments to manage interest rate risk associated with its variable rate debt. The Company's objective in using these interest rate derivatives is to manage its exposure to interest rate movements and reduce volatility of interest expense. The gains and losses due to changes in the fair value of the interest rate swap agreements completely offset changes in the fair value of the hedged portion of the underlying debt. Offsetting changes in fair value of both the interest rate swaps and the hedged portion of the underlying debt both are recognized in interest expense in the Consolidated Statements of Operations. The Company does not hold or issue any derivative instruments for trading or speculative purposes.

Risks & Uncertainties

Management continues to evaluate the impact of the COVID-19 pandemic on the industry, primarily through the introduction of additional regulations and restrictions. Due to the nature of our work, we believe that these impacts are mitigated and concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position and the results of its operations, the specific impact is not readily determinable as of the date of these financial statements.

5. Revenue Recognition

We recognize revenue over time when there is a continuous transfer of control to our customer. For our U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the U.S. government to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. When control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. For services contracts, we satisfy our performance obligations as services are rendered. We use a cost-based input method to measure progress.

Contract costs include labor, material and allocable indirect expenses. For time-and-material contracts, we bill the customer per labor hour and per material, and revenue is recognized in the amount invoiced since the amount corresponds directly to the value of our performance to date. We consider control to transfer when we have a present right to payment. Essentially, all of our contracts satisfy their performance obligations over time. Contracts are often modified to account for changes in contract specifications and requirements. Contract modifications impact performance obligations when the modification either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue and profit cumulatively. Furthermore, a significant change in one or more estimates could affect the profitability of our contracts. We recognize adjustments in estimated profit on contracts in the period identified.

For time-and-materials contracts, revenue is recognized to the extent of billable rates times hours delivered plus materials and other reimbursable costs incurred. Revenue for cost-reimbursable contracts is recorded as reimbursable costs are incurred, including an estimated share of the applicable contractual fees earned. Contract costs are expensed as incurred. Estimated losses are recognized when identified.

Contract assets - Amounts are invoiced as work progresses in accordance with agreed-upon contractual terms. In part, revenue recognition occurs before we have the right to bill, resulting in contract assets. These contract assets are reported within receivables, net on our consolidated balance sheets and are invoiced in accordance with payment terms defined in each contract. Period end balances will vary from period to period due to agreed-upon contractual terms. Refer to the Liquidity and capital management located in Managements' Discussion and Analysis of Financial Condition and Results of Operations in this report for more information.

Contract liabilities - Amounts are a result of billings in excess of costs incurred. These contract liabilities are reported within accounts payable, accrued expenses, and other current liabilities on our consolidated balance sheets.

The following table summarizes the contract balances recognized on the Company's consolidated balance sheets:

	(in thousands)	
	December 31, 2020	**September 30, 2020**
Contract assets	$ 15,576	$ 7,943
Contract liabilities	$ 200	$ 200

Disaggregation of revenue from contracts with customers

We disaggregate our revenue from contracts with customers by customer, contract type, as well as whether the Company acts as prime contractor or subcontractor. We believe these categories best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. The following tables present our revenue disaggregated by these categories:

Revenue by customer:

	(in thousands) Three Months Ended December 31,	
	2020	**2019**
Department of Veterans Affairs	$ 27,642	$ 24,063
Department of Health and Human Services	20,163	24,089
Department of Defense	6,980	331
Other	3,067	3,755
Total revenue	**$ 57,852**	**$ 52,238**

Revenue by contract type:

	(in thousands) Three Months Ended December 31,	
	2020	**2019**
Time and materials	$ 44,194	$ 36,441
Cost reimbursable	11,721	14,617
Firm fixed price	1,937	1,180
Total revenue	**$ 57,852**	**$ 52,238**

Revenue by whether the Company acts as a prime contractor or a subcontractor:

	(in thousands) Three Months Ended December 31, 2020	2019
Prime contractor	$ 51,764	$ 48,896
Subcontractor	6,088	3,342
Total revenue	**$ 57,852**	**$ 52,238**

6. Leases

We have leases for facilities and office equipment. Our lease liabilities are recognized as the present value of the future minimum lease payments over the lease term. Our right-of-use assets are recognized as the present value of the future minimum lease payments over the lease term less unamortized lease incentives and the balance remaining in deferred rent liability under ASC 840. Our lease payments consist of fixed and in-substance fixed amounts attributable to the use of the underlying asset over the lease term. Variable lease payments that do not depend on an index rate or are not in-substance fixed payments are excluded in the measurement of right-of-use assets and lease liabilities and are expensed in the period incurred. The incremental borrowing rate on our credit facility was used in determining the present value of future minimum lease payments. Some of our lease agreements include options to extend the lease term or terminate the lease. These options are accounted for in our right-of-use assets and lease liabilities when it is reasonably certain that the Company will extend the lease term or terminate the lease. The Company does not have any finance leases. As of December 31, 2020, operating leases for facilities and equipment have remaining lease terms of 1.0 to 10.3 years.

The following table summarizes lease balances in our consolidated balance sheets at December 31, 2020 and September 30, 2020:

	(in thousands) December 31, 2020	September 30, 2020
Operating lease right-of-use assets	$ 21,737	$ 22,427
Operating lease liabilities, current	$ 2,053	$ 2,045
Operating lease liabilities - long-term	21,017	21,620
Total operating lease liabilities	$ 23,070	$ 23,665

The Company subleases a portion of one of its leased facilities. The sublease is classified as an operating lease with respect to the underlying asset. The sublease was assumed from the acquisition of Social & Scientific Systems, Inc. ("S3") in fiscal 2019. The sublease term is 5 years with two additional 1-year term extension options.

The Company's lease costs are included within contract costs in our Consolidated Statements of Operations. For the three months ended December 31, 2020 and December 31, 2019, total lease costs for our operating leases are as follows:

	(in thousands) Three Months Ended December 31, 2020	2019
Operating	$ 970	$ 1,312
Short-term	29	56
Variable	5	20
Sublease income	(95)	(49)
Total lease costs	**$ 909**	**$ 1,339**

The Company's future minimum lease payments as of December 31, 2020 are as follows:

For the Fiscal Year Ending September 30,		(in thousands)
2021 (remaining)	$	2,454
2022		3,501
2023		3,375
2024		3,251
2025		3,092
Thereafter		14,684
Total future lease payments		30,357
Less: imputed interest		(7,287)
Present value of future minimum lease payments		23,070
Less: current portion of operating lease liabilities		(2,053)
Long-term operating lease liabilities	$	21,017

Other information related to our leases are as follows:

	December 31, 2020
Weighted-average remaining lease term	8.9 years
Weighted-average discount rate	5.99 %

		(in thousands) Three Months Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities	$	881
Lease liabilities arising from obtaining right-of-use-assets	$	—

7. Supporting Financial Information

Accounts receivable

	Ref		December 31, 2020 (in thousands)		September 30, 2020
Billed receivables		$	29,309	$	24,598
Contract assets			15,576		7,943
Total accounts receivable			44,885		32,541
Less: Allowance for doubtful accounts	(a)		—		—
Accounts receivable, net		**$**	**44,885**	**$**	**32,541**

Ref (a): Accounts receivable are non-interest bearing, unsecured and carried at net realizable value. We evaluate our receivables on a quarterly basis and determine whether an allowance is appropriate based on specific collection issues. No allowance for doubtful accounts was deemed necessary at either December 31, 2020 or September 30, 2020.

Other current assets

	(in thousands)	
	December 31, 2020	September 30, 2020
Prepaid insurance and benefits	$ 431	$ 665
Other receivables	1,617	1,363
Other prepaid expenses	1,420	1,471
Other current assets	**$ 3,468**	**$ 3,499**

Equipment and improvements, net

		(in thousands)	
	Ref	December 31, 2020	September 30, 2020
Furniture and equipment		$ 958	$ 958
Computer equipment		1,212	1,171
Computer software		4,353	4,341
Leasehold improvements		1,595	1,595
Total equipment and improvements		8,118	8,065
Less accumulated depreciation and amortization		(5,142)	(4,726)
Equipment and improvements, net	(a)	**$ 2,976**	**$ 3,339**

Ref (a): Depreciation expense was $0.4 million and $0.7 million for the three months ended December 31, 2020 and 2019, respectively.

Intangible assets

		(in thousands)	
	Ref	December 31, 2020	September 30, 2020
Intangible assets	(a)		
Customer contracts and related customer relationships		$ 62,281	$ 45,600
Covenants not to compete		522	480
Trade name		3,051	2,109
Acquired intangibles - IBA acquisition	(b)	—	16,223
Total intangible assets		65,854	64,412
Less accumulated amortization			
Customer contracts and related customer relationships		(12,707)	(11,150)
Covenants not to compete		(225)	(212)
Trade name		(514)	(438)
Total accumulated amortization		(13,446)	(11,800)
Intangible assets, net		**$ 52,408**	**$ 52,612**

Ref (a): Intangible assets subject to amortization. The intangibles are amortized on a straight-line basis over their estimated useful lives of 10 years. The total amount of amortization expense was $1.6 million and $1.2 million for the three months ended December 31, 2020 and 2019, respectively.

Ref (b): Intangible assets reported at September 30, 2020 from the acquisition of IBA were based on an estimate and subject to revision. As of December 31, 2020, a third party valuation was completed and of the $17.7 million intangible assets acquired from the acquisition of IBA, $16.7 million was allocated to customer contracts and customer relationships, $0.1 million to covenants not to compete, and $0.9 million to trade name.

Estimated amortization expense for future years:	(in thousands)
Remaining Fiscal 2021	$ 4,939
Fiscal 2022	6,585
Fiscal 2023	6,585
Fiscal 2024	6,585
Fiscal 2025	6,585
Thereafter	21,129
Total amortization expense	**$ 52,408**

Goodwill

The changes in the carrying amount of goodwill as of December 31, 2020 are as follows:

	Ref	(in thousands) **Total**
Balance at September 30, 2019		$ 52,758
Preliminary increase from IBA acquisition		14,386
Balance at September 30, 2020		67,144
Adjustment from IBA acquisition	(a)	(1,694)
Balance at December 31, 2020		**$ 65,450**

Ref (a): The adjustment was determined based on third party valuation.

Accounts payable, accrued expenses, and other current liabilities

	(in thousands) **December 31, 2020**	**September 30, 2020**
Accounts payable	$ 14,195	$ 14,645
Accrued benefits	2,719	2,833
Accrued bonus and incentive compensation	591	2,340
Accrued workers' compensation insurance	6,067	5,529
Other accrued expenses	3,820	3,231
Accounts payable, accrued expenses, and other current liabilities	**$ 27,392**	**$ 28,578**

Debt obligations

	(in thousands)	
	December 31, 2020	September 30, 2020
Bank revolving line of credit	$ 9,150	$ —
Bank term loan	68,250	70,000
Less unamortized deferred financing costs	(2,593)	(2,729)
Net bank debt obligations	**74,807**	**67,271**
Less current portion of bank debt obligations, net of deferred financing costs	(15,884)	(6,727)
Long-term portion of bank debt obligations, net of deferred financing costs	**$ 58,923**	**$ 60,544**

Interest expense

		(in thousands) Three Months Ended December 31,	
	Ref	**2020**	**2019**
Interest expense	(a)	$ (870)	$ (852)
Amortization of deferred financing costs	(b)	(210)	(210)
Other income (expense), net	(c)	—	121
Interest expense, net		**$ (1,080)**	**$ (941)**

Ref (a): Interest expense on borrowing
Ref (b): Amortization of expenses related to term loan and revolving line of credit
Ref (c): Gain on lease modification due to a lease amendment

8. Credit Facilities

A summary of this loan facility as of December 31, 2020, is as follows:

		($ in Millions) As of December 31, 2020		
Lender	**Arrangement**	**Loan Balance**	**Interest**	**Maturity Date**
First National Bank of Pennsylvania ("FNB")	Secured term loan (a)	$ 68.3	LIBOR* + 3.5%	09/30/2025
First National Bank of Pennsylvania ("FNB")	Secured revolving line of credit (b)	$ 9.2	LIBOR* + 3.5%	09/30/2025

*LIBOR rate as of December 31, 2020 was 0.15%. As of December 31, 2020, our LIBOR rate is subject to a minimum floor of 0.5%.

(a) Represents the principal amounts payable on our term loan, which is secured by liens on substantially all of the assets of the Company. The principal of the term loan is payable in quarterly installments with the remaining balance due on September 30, 2025.

The Credit Agreement requires compliance with a number of financial covenants and contains restrictions on our ability to engage in certain transactions. Among other matters, we must comply with limitations on the following: granting liens; incurring other indebtedness; maintenance of assets; investments in other entities and extensions of credit; mergers and consolidations; and changes in nature of business. The loan agreement also requires us to comply with certain quarterly financial covenants including: (i) a minimum fixed charge coverage ratio of at least 1.25 to 1.00, and (ii) a Funded Indebtedness to Adjusted EBITDA ratio not exceeding the ratio of 3.75:1.0 to 2.75:1.0 through maturity. Adjusted EBITDA ratio is calculated by dividing the Company's total interest-bearing debt by net income adjusted to exclude (i) interest and other expenses, (ii) provision for or benefit from income taxes, if any, (iii) depreciation and amortization, and (iv) non-recurring charges, losses or expenses to include transaction and non-cash equity expense. The term loan has an interest rate spread range from 2.5% to 4.5% depending on the funded indebtedness to adjusted EBITDA ratio. We are in compliance with all loan covenants and restrictions.

We are required to pay quarterly amortization payments, which commenced in December 2020 through September 2025. The annual amortization amounts are $7.0 million for fiscal years 2021 and 2022 and $8.75 million each for fiscal years 2023 - 2025. The quarterly payments are equal installments. In addition to quarterly payments of the outstanding indebtedness, the loan agreement also requires annual payments of a percentage of excess cash flow, as defined in the loan agreement. The loan agreement states that an excess cash flow recapture payment must be made equal to (a) 75% of the excess cash flow for the immediately preceding fiscal year in which indebtedness to consolidated EBITDA ratio is greater than or equal to 2.50:1.0; (b) 50% of the excess cash flow for the immediately preceding fiscal year in which the funded indebtedness to consolidated EBITDA Ratio is less than 2.50:1.0 but greater than or equal to 1.5:1.0; or (c) 0% of the excess cash flow for the immediately preceding fiscal year in which the funded indebtedness to consolidated EBITDA Ratio is less than 1.5:1.0. In addition, the Company must make additional mandatory prepayment of amounts outstanding based on proceeds received from asset sales and sales of certain equity securities or other indebtedness. For additional information regarding the schedule of future payment obligations, please refer to Note 11, Commitments and Contingencies.

On September 30, 2019, we executed a floating-to-fixed interest rate swap with First National Bank ("FNB") as counter party. The notional amount in the floating-to-fixed interest rate swap for the current fiscal year is $28.8 million and matures in 2024. The notional amount was $36 million in the prior fiscal year. The remaining outstanding balance of our term loan is subject to interest rate fluctuations. On the notional amount, the Company pays a base fixed rate of 1.61%, plus applicable credit spread. As a result, for the three months ended December 31, 2020, interest expense has been increased by less than $0.2 million.

(b) The secured revolving line of credit has a ceiling of up to $25.0 million. Borrowing on the line of credit is secured by liens on substantially all of the assets of the Company. The Company accessed funds from the revolving credit facility during the quarter and has an outstanding balance of $9.2 million at December 31, 2020.
The Company's total borrowing availability, based on eligible accounts receivables at December 31, 2020, was $25.0 million. As part of the revolving credit facility, the lenders agreed to a sublimit of $5 million for letters of credit for the account of the Company, subject to applicable procedures.

The revolving line of credit has a maturity date of September 30, 2025 and is subject to loan covenants as described above. The Company is fully compliant with those covenants.

9. Stock-based Compensation and Equity Grants

Stock-based compensation expense

Options issued under equity incentive plans were designated as either an incentive stock or a non-statutory stock option. No option is granted with a term of more than 10 years from the date of grant. Exercisability of option awards may depend on achievement of certain performance measures determined by the Compensation Committee of our Board. Shares issued upon option exercise are newly issued shares. As of December 31, 2020, there were 0.5 million shares available for grant.

Stock-based compensation expense, shown in the table below, is recorded in general and administrative expenses included in our Consolidated Statements of Operations:

	Ref	(in thousands) Three Months Ended December 31, 2020	(in thousands) Three Months Ended December 31, 2019
DLH employees	(a)	$ 342	$ 116
Non-employee directors	(b)	116	87
Total stock option expense		**$ 458**	**$ 203**

Ref (a): Equity grants of restricted stock units were made in accordance with the DLH long-term incentive compensation policy for Named Executive Officers ("NEO") and totaled 147,431 restricted stock units issued and outstanding at December 31, 2020.

Ref (b): Equity grants of restricted stock units were made in accordance with DLH compensation policy for non-employee directors and totaled 63,177 restricted stock units issued and outstanding at December 31, 2020.

Unrecognized stock-based compensation expense

	Ref	(in thousands) December 31, 2020
Unrecognized expense for DLH employees	(a)	$ 3,445
Unrecognized expense for non-employee directors		351
Total unrecognized expense		**$ 3,796**

Ref (a): Compensation expense for the portion of equity awards for which the requisite service has not been rendered is recognized as the requisite service is rendered. The compensation expense for that portion of awards has been based on the grant-date fair value of those awards as calculated for recognition purposes under applicable guidance. For options that vest based on the Company's common stock achieving and maintaining defined market prices, the Company values the awards with a Monte Carlo binomial model that utilizes various probability factors and other criterion in establishing fair value of the grant. The related compensation expense is recognized over the derived service period determined in the valuation. On a weighted average basis, this expense is expected to be recognized within the next 4.51 years.

Stock option activity for the three months ended December 31, 2020

The aggregate intrinsic value in the table below represents the total pretax intrinsic value (i.e., the difference between the Company’s closing stock price on the last trading day of the period and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their in the money options on those dates. This amount will change based on the fair market value of the Company’s stock.

	Ref	(in thousands) Number of Shares	Weighted Average Exercise Price	(in years) Weighted Average Remaining Contractual Term	(in thousands) Aggregate Intrinsic Value
Options outstanding, September 30, 2020		2,129	$ 6.14	7.4	$ 6,593
Exercised		(62)	$ 3.62	—	—
Granted	(a)	220	$ 10.05	—	—
Options outstanding, December 31, 2020		**2,287**	**$ 6.95**	**7.7**	**$ 10,261**

Ref (a): The options granted in the first quarter of fiscal 2021 occurred at the end of the period and an amount of less than $0.1 million was accrued as stock compensation expense.

Stock options shares outstanding, vested, and unvested for the periods ended

	Ref	(in thousands) December 31, 2020	September 30, 2020
Vested and exercisable	(a)	1,151	1,213
Unvested	(b)	1,136	916
Options outstanding		**2,287**	**2,129**

Ref (a): Weighted average exercise price of vested and exercisable shares was $2.18 and $2.25 at December 31, 2020 and September 30, 2020, respectively. Aggregate intrinsic value was approximately $8.2 million and $6.1 million at December 31, 2020 and September 30, 2020, respectively. Weighted average contractual term remaining was 3.8 and 4.6 years at December 31, 2020 and September 30, 2020, respectively.

Ref (b): Certain awards vest upon satisfaction of certain performance criteria.

10. Earnings Per Share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding and restricted stock grants that vested or are likely to vest during the period. Diluted earnings per share is calculated by dividing income available to common shareholders by the weighted average number of basic common shares outstanding, adjusted to reflect potentially dilutive securities. Diluted earnings per share is calculated using the treasury stock method.

	(in thousands) Three Months Ended December 31, 2020	2019
Numerator:		
Net income	$ 1,814	$ 1,551
Denominator:		
Denominator for basic net income per share - weighted-average outstanding shares	12,498	12,088
Effect of dilutive securities:		
Stock options and restricted stock	947	926
Denominator for diluted net income per share - weighted-average outstanding shares	13,445	13,014
Net income per share - basic	$ 0.15	$ 0.13
Net income per share - diluted	$ 0.13	$ 0.12

11. Commitments and Contingencies

Contractual obligations as of December 31, 2020

		Payments Due Per Fiscal Year					
(Amounts in thousands)	Total	(Remaining) 2021	2022	2023	2024	2025	Thereafter
Debt obligations	$ 77,400	$ 14,400	$ 7,000	$ 8,750	$ 8,750	$ 38,500	$ —
Facility leases	30,077	2,392	3,418	3,292	3,199	3,092	14,684
Equipment operating leases	280	62	83	83	52	—	—
Total Contractual Obligations	**$ 107,757**	**$ 16,854**	**$ 10,501**	**$ 12,125**	**$ 12,001**	**$ 41,592**	**$ 14,684**

Worker's Compensation

We accrue worker's compensation expense based on claims submitted, applying actuarial loss development factors to estimate the costs incurred but not yet recorded. Our accrued liability for claims development as of December 31, 2020 and September 30, 2020 was $6.1 million and $5.5 million, respectively.

Legal Proceedings

As a commercial enterprise and employer, the Company is subject to various claims and legal actions in the ordinary course of business. These matters can include professional liability, employment-relations issues, workers' compensation, tax, payroll and employee-related matters, other commercial disputes arising in the course of its business, and inquiries and investigations by governmental agencies regarding our employment practices or other matters. The Company is not aware of any pending or threatened litigation that it believes is reasonably likely to have a material adverse effect on its results of operations, financial position, or cash flows.

12. Related Party Transactions

The Company has determined that for the three months ended December 31, 2020 there were no significant related party transactions that have occurred which require disclosure through the date that these financial statements were issued.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking and Cautionary Statements

You should read the following discussion in conjunction with the Consolidated Financial Statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended September 30, 2020, and in other reports we have subsequently filed with the SEC. This Quarterly Report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained in this Management's Discussion and Analysis are forward-looking statements that involve risks and uncertainties. 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 report include, among others, statements regarding benefits of the acquisition, estimates of future revenues, operating income, earnings, earnings per share, backlog, and cash flows. 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 report 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 an 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 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 interim quarterly filings 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.

Business and Markets Overview

DLH Holdings Corp. is a provider of technology-enabled business process outsourcing and program management solutions, and public health research and analytics; primarily focused to improve and better deploy large-scale federal health and human service initiatives. The Company derives 99% of its revenue from agencies of the Federal government, providing services to several agencies including the Department of Veteran Affairs ("VA"), Department of Health and Human Services ("HHS"), and the Department of Defense ("DoD"). Incorporated in New Jersey in 1969, the Company contracts with its government customers through its subsidiaries.

In recent years we have successfully completed acquisitions to increase future organic growth, diversify our customer base, and to expand into adjacent markets. On September 30, 2020, we acquired Irving Burton Associates, LLC ("IBA") and in June 2019 we acquired Social & Scientific Systems, Inc. ("S3").

Our business offerings are aligned to three market focus areas within the federal health services market space.

- Defense and Veteran Health Solutions;
- Human Services and Solutions;
- Public Health and Life Sciences;

The following table summarizes the revenues by market for the three months ended December 31, 2020 and 2019, respectively:

	(in thousands) Three Months Ended December 31,			
	2020		2019	
	Revenue	Percent of total revenue	Revenue	Percent of total revenue
Defense and Veteran Health Solutions	$ 34,872	60 %	$ 24,063	46 %
Human Services and Solutions	7,439	13 %	11,910	23 %
Public Health and Life Sciences	15,541	27 %	16,265	31 %
Total revenue	**$ 57,852**	**100 %**	**$ 52,238**	**100 %**

Position and Distribution of Services and Solutions in Our Markets

The markets in which we compete and the manner in which we are positioned within them are characterized by a number of features including, but not limited to:

- specialized credentials and licenses held by a substantial component of our employee base;
- prime contractor position in contracts representing 89% of our revenue;
- strong past performance record, as evidenced by our VA customer scoring the highest in overall satisfaction in the J.D. Power National Pharmacy Study over the past nine years; and
- targeted expansion in critical national priority markets with Federal budget stability to include public health and epidemiological support related to COVID-19.

We operate primarily through prime contracts awarded by the government through competitive bidding processes. We have a diverse mix of contract vehicles with various agencies of the United States Government, which supports our overall corporate growth strategy. Our revenue is distributed to time and materials contracts (77%), cost reimbursable contracts (20%) and firm fixed price contracts (3%). We provide services under Indefinite Duration, Indefinite Quantity ("IDIQ") and government wide acquisition contracts, such as General Services Administration ("GSA") schedule contracts. The Company currently holds multiple GSA schedule contracts, under which we provide services that constitute a significant percentage of our total revenue. These Federal contract schedules are renewed on a recurring basis for a multi-year period.

Major Customers

A major customer is defined as a customer from whom we derive at least 10% of our revenues. Our two largest customers are HHS and the VA. The following table summarizes the revenues by customer for the three months ended December 31, 2020 and 2019, respectively:

	(in thousands) Three Months Ended December 31,			
	2020		2019	
	Revenue	Percent of total revenue	Revenue	Percent of total revenue
Department of Veterans Affairs	$ 27,642	48 %	$ 24,063	46 %
Department of Health and Human Services	20,163	35 %	24,089	46 %
Department of Defense	6,980	12 %	331	1 %
Customers with less than 10% share of total revenue	3,067	5 %	3,755	7 %
Total revenue	**$ 57,852**	**100 %**	**$ 52,238**	**100 %**

Major Contracts

The revenue attributable to the VA was derived from 16 separate contracts covering the Company's performance of pharmacy and logistics services in support of the VA's consolidated mail outpatient pharmacy program. Nine contracts for pharmacy services, which represent revenues of approximately $15.9 million and $13.3 million for the three months ended December 31, 2020 and 2019, are currently operating under extensions through October 2021.

As previously reported, a single renewal request for proposal (“RFP”) had been issued for the nine (9) pharmacy contracts that required the prime contractor be a service-disabled veteran owned small business (“SDVOSB”), which would have precluded us from bidding on the RFP as a prime contractor. We had joined a SDVOSB team as a subcontractor to respond to this RFP. However, the government has canceled the previously issued RFP for these contracts. The government has neither indicated nor announced its future procurement strategy. Due to the time required to conduct a procurement process, we expect these contracts to be further extended.

The remaining seven contracts for logistics services, which represent approximately $11.8 million and $10.8 million of revenues for the three months ended December 31, 2020 and 2019, have been extended through June 2021. A renewal RFP for the seven logistics contracts has been issued and provides for evaluation and award of the contract based on the classification of the bidder. The RFP initially included award preference for a SDVOSB prime contractor. The government has since removed that preference thereby making the procurement a full and open acquisition, which allows for us to be evaluated as the prime contractor.

The Company's contract with HHS in support of its Head Start program generated $6.0 million and $9.5 million of its revenue for the three months ended December 31, 2020 and 2019, respectively. This contract has a period of performance through April 2025.

We remain dependent upon the continuation of our relationships with the VA and HHS. Our results of operations, cash flows, and financial condition would be materially adversely affected if we were unable to continue our relationship with either of these customers, if we were to lose any of our material current contracts, or if the amount of services we provide to them was to be materially reduced.

Backlog

Backlog represents total estimated contract value of predominantly multi-year government contracts and will vary depending upon the timing of new/renewal contract awards. Backlog is based upon customer commitments that the Company believes to be firm over the remaining performance period of our contracts. The value of multi-client, competitive Indefinite Delivery/Indefinite Quantity ("IDIQ") contract awards is included in backlog computation only when a task order is awarded or if the contract is a single award IDIQ contract. While no assurances can be given that existing contracts will result in earned revenue in any future period, or at all, the Company's major customers have historically exercised their contractual renewal options. At December 31, 2020, our total backlog was approximately $665.2 million compared to $688.4 million as of September 30, 2020.

Backlog value is quantified from management's judgment and assumptions about the volume of services based on past volume trends and current planning developed with customers. Our backlog may consist of both funded and unfunded amounts under existing contracts including option periods. At December 31, 2020, our funded backlog was approximately $103.9 million, and our unfunded backlog was $561.3 million.

Forward Looking Business Trends

COVID-19 impact

We are exposed to and impacted by macroeconomic factors and U.S. government policies. Current general economic conditions are highly volatile due to the COVID-19 pandemic, resulting in both market size contractions due to economic slowdowns and government restrictions on movement. We have seen continued demand for the services we provide under our current contract portfolio as the services we provide are largely deemed essential. While the pandemic has had minor offsetting impacts due to social distancing and travel restrictions, we do not expect material impacts to our consolidated results of operations from COVID-19 in this fiscal year.

The pandemic may cause reduced demand for certain services we provide, particularly if it results in a recessionary economic environment or the spending priorities of the U.S. government shift in ways adverse to our business focus. Our ability to continue to operate without any significant negative impacts will in part depend on our continued ability to protect our employees. We have endeavored to follow recommended actions of government and health authorities to protect our employees and were able to broadly maintain our operations. Further, we have partnered with our clients to adopt particular measures to protect our employees at distribution centers, and we expect to execute on a remainder of our contracts through remote and teleworking arrangements. We intend to continue to work with government authorities and implement our employee safety measures to ensure that we are able to continue our operations during the pandemic. However, uncertainty resulting from the pandemic could result in an unforeseen disruption to our operations (for example a closure of a key distribution facility) that may not be fully mitigated. To date we have experienced continuity in the majority of our work for our government clients. While there have been postponements of events and challenges around some project work requiring travel, overall, our government clients have continued to require our services. We are unable to predict whether, and to what extent, this trend will continue. It would be reasonable to expect some deterioration of certain client activities due to COVID-19. The longer the duration of the pandemic, the more likely it is that it could have an adverse effect on our business, financial position, results of operations and/or cash flows. However, we also believe that we are likely to see additional demand from federal agencies such as the CDC and the NIH for our services.

Due to our ability to continue to perform under our contracts and our cash flow generation, we do not presently expect liquidity constraints related to COVID-19. We are presently in compliance with all covenants in our term loan and have access to a revolving line of credit to meet any short-term cash needs that cannot be funded by operations. As such, mandatory demands on our cash flow remain low. Further, we have not observed any material impairments of our assets or a significant change in the fair value of our assets due to the COVID-19 pandemic.

Federal budget outlook for 2021:

Our business is impacted by the overall federal government's spending priorities. As such, we continue to carefully follow federal budget, legislative and contracting trends and activities, and evolve our strategies to take these into consideration.

On December 27, 2020, the President signed into law the Consolidated Appropriations Act, 2021 (H.R.133), enacting consolidated appropriations and providing funding through September 30, 2021 for projects and activities of Federal Government agencies.

While the new Biden administration has not formally proposed its priorities via a budget submission, the President has signaled certain priorities. Among those priorities are a focus on combating the global COVID-19 pandemic, improving health care delivery to our nation's veterans, enhancing the IT infrastructure of many federal agencies to include the VA and HHS, and broadening opportunities and access to early childhood programs such as Head Start. We believe our competencies, customer portfolio, and company values are well aligned with the proposed vision of the incoming administration.

We recommend that you read this discussion and analysis in conjunction with our Annual Report on Form 10-K for the fiscal year ended September 30, 2020, previously filed with the Securities and Exchange Commission.

Industry consolidation among federal government contractors:

There has been active consolidation and a strong increase in merger and acquisition activity among federal government contractors over the past few years that we expect to continue, fueled by public companies leveraging strong balance sheets. Companies often look to acquisitions that augment core capabilities, contracts, customers, market differentiators, stability, cost synergies, and higher margin and revenue streams.

Potential impact of Federal Contractual set-aside Laws and Regulations:

The Federal government has an overall goal of 23% of prime contracts flowing through small businesses. As previously reported, various agencies within the federal government have policies that support small business goals, including the adoption of the “Rule of Two” by the VA, which provides that the agency shall award contracts by restricting competition for the contract to service-disabled or other veteran owned businesses. To restrict competition pursuant to this rule, the contracting officer must reasonably expect that at least two of these businesses, which are capable of delivering the services, will submit offers and that the award can be made at a fair and reasonable price that offers best value to the United States. When two qualifying small businesses cannot be identified, the VA may proceed to award contracts following a full and open bid process.

The Company believes that its past performance in this market and track record of success provide a competitive advantage. However, the effect of set-aside provisions may limit our ability to compete for prime contractor positions on programs that we recompete or that we have targeted for growth. In these cases, the Company may elect to join a team with an eligible contractor as prime in support of such small businesses for specific pursuits that align with our core markets and corporate growth strategy.

Results of Operations for the three months ended December 31, 2020 and 2019

The following table summarizes, for the periods indicated, consolidated statements of income data expressed in dollars in thousands except for per share amounts, and as a percentage of revenue:

	Three Months Ended				
	December 31, 2020		December 31, 2019		Change
Revenue	$ 57,852	100.0 %	$ 52,238	100.0 %	$ 5,614
Cost of operations:					
Contract costs	46,005	79.5 %	41,340	79.1 %	4,665
General and administrative costs	6,150	10.6 %	5,913	11.3 %	237
Depreciation and amortization	2,062	3.6 %	1,859	3.6 %	203
Total operating costs	54,217	93.7 %	49,112	94.0 %	5,105
Income from operations	**3,635**	**6.3 %**	**3,126**	**6.0 %**	**509**
Interest expense, net	1,080	1.9 %	941	1.8 %	139
Income before income taxes	**2,555**	**4.4 %**	**2,185**	**4.2 %**	**369**
Income tax expense	741	1.3 %	634	1.2 %	107
Net income	**$ 1,814**	**3.1 %**	**$ 1,551**	**3.0 %**	**263**
Net income per share - basic	$ 0.15		$ 0.13		$ 0.02
Net income per share - diluted	$ 0.13		$ 0.12		$ 0.01

Revenue

Revenue for the three months ended December 31, 2020 was $57.9 million, an increase of $5.6 million or 10.7% over the prior year period. The increase in revenue is due primarily to the inclusion of revenue from our acquisition of Irving Burton Associates, LLC ("IBA"), which generated $7.0 million of revenue, offset in part by reductions in organic revenue principally from reimbursement of travel expenses.

Cost of Operations

Contract costs primarily include the costs associated with providing services to our customers. These costs are generally comprised of direct labor and associated fringe benefit costs, subcontract cost, other direct costs, and the related management and infrastructure costs. For the three months ended December 31, 2020, contract costs increased by approximately $4.7 million, principally due to the addition of IBA.

General and administrative costs are for those employees not directly providing services to our customers, to include but not limited to executive management, bid and proposal, accounting, and human resources. These costs increased as compared to the prior fiscal year period by $0.2 million primarily from the inclusion of IBA, offset by reductions in travel, outside consultants, and other G&A costs as compared to the prior fiscal year period.

For the three months ended December 31, 2020, depreciation and amortization costs were approximately $0.4 million and $1.6 million, respectively, as compared to approximately $0.7 million and $1.2 million for the prior fiscal year period. The increase of $0.2 million was principally due to the amortization of the acquired definite-lived intangible assets of IBA.

Interest Expense, net

Interest expense, net, includes items such as interest expense and amortization of deferred financing costs on debt obligations.
For the three months ended December 31, 2020 and 2019, interest expense was approximately $1.1 million and $0.9 million, respectively. The increase in interest expense was due to the borrowing required to finance the acquisition of IBA.

Income Tax Expense

For the three months ended December 31, 2020 and 2019, DLH recorded a $0.7 million and $0.6 million provision for tax expense, respectively. The effective tax rate for the three months ended December 31, 2020 and 2019 was 29%.

Non-GAAP Financial Measures

The Company uses EBITDA as a supplemental non-GAAP measure of our performance. DLH defines EBITDA as net income excluding (i) interest expense, (ii) provision for or benefit from income taxes, if any, and (iii) depreciation and amortization.

On a non-GAAP basis, Earnings Before Interest, Tax, Depreciation, and Amortization ("EBITDA") for the three months ended December 31, 2020 was approximately $5.7 million. The increase of approximately $0.7 million from the same period in the prior fiscal year was principally due to the contribution of IBA and effective management of general and administrative expenses.

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

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

	(in thousands) Three Months Ended December 31,		
	2020	**2019**	**Change**
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
EBITDA	**$ 5,697**	**$ 4,985**	**$ 712**

Liquidity and capital management

As of December 31, 2020, the Company's immediate sources of liquidity include cash generated from operations, accounts receivable, and access to its secured revolving line of credit facility. This credit facility provides us with access of up to $25 million, subject to certain conditions including eligible accounts receivable. As of December 31, 2020, we have $25.0 million of available borrowing capacity on the revolving line of credit and a balance outstanding of $9.2 million.

The Company's present operating liabilities are largely predictable and consist of vendor and payroll related obligations. Our current investment and financing obligations are adequately covered by cash generated from profitable operations and planned operating cash flow should be sufficient to support the Company's operations for twelve months from issuance of these consolidated financial statements.

A summary of the change in cash and cash equivalents is presented below:

	(in thousands) Three Months Ended December 31,	
	2020	**2019**
Net cash used in operating activities	$ (8,518)	$ (2,884)
Net cash used in investing activities	(53)	(162)
Net cash provided by financing activities	7,584	1,618
Net change in cash and cash equivalents	**$ (987)**	**$ (1,428)**

For the three months ended December 31, 2020, the Company used $8.5 million in cash flows from operations. The reduction of operating cash was primarily due to the impact from the continuing resolution for the fiscal 2021 federal budget and transitions in key contract payment offices. The Company believes that these impacts are short-term in nature.

Cash used in investing activities during the three months ended December 31, 2020 was $0.1 million, mainly for the purchase of capital assets.

Cash provided by financing activities was $7.6 million during the three months ended December 31, 2020. We made net repayments under our credit facility of $1.8 million during the three months ended December 31, 2020. We intend to resume using cash to make debt prepayments in future quarters subject to available cash.

Sources of cash and cash equivalents

As of December 31, 2020, our immediate sources of liquidity include cash and cash equivalents of approximately $0.4 million, accounts receivable, and access to our secured revolving line of credit facility. This credit facility provides us with access of up to $25.0 million, subject to certain conditions including eligible accounts receivable. As of December 31, 2020, we had unused borrowing capacity of $13.9 million. The Company's present operating liabilities are largely predictable and consist of vendor and payroll related obligations. We believe that our current investment and financing obligations are adequately covered by cash generated from profitable operations and that planned operating cash flow should be sufficient to support our operations for twelve months from the date of issuance of these consolidated financial statements.

Credit Facility

A summary of our secured loan facility for the period ended December 31, 2020 is as follows:

Arrangement		Loan Balance	Interest*	Maturity Date
Secured term loan $70 million (a)	$	68.3 million	LIBOR* + 3.5%	September 30, 2025
Secured revolving line of credit $25 million ceiling (b)	$	9.2 million	LIBOR* + 3.5%	September 30, 2025

*LIBOR rate as of December 31, 2020 was 0.15%. The credit facility has an interest rate spread range from 2.5% to 4.5% depending on the funded indebtedness to adjusted EBITDA ratio.

(a) Represents the principal amounts payable on our term loan, which is secured by liens on substantially all of the assets of the Company. The principal of the term loan is payable in quarterly installments with the remaining balance due on September 30, 2025.

On September 30, 2019, we executed a floating-to-fixed interest rate swap with First National Bank ("FNB") as counter party. The notional amount in the floating-to-fixed interest rate swap for the current fiscal year is $28.8 million and matures in 2024. The notional amount was $36 million in the prior fiscal year. The remaining outstanding balance of our term loan is subject to interest rate fluctuations.

(b) The secured revolving line of credit has a ceiling of up to $25.0 million and a maturity date of September 30, 2025. The Company has accessed funds from the revolving credit facility during the quarter and had a balance outstanding at December 31, 2020 of $9.2 million.
The Term Loan and Revolving Credit Facility are secured by liens on substantially all of the assets of the Company. The provisions of the Term Loan and Revolving Credit Facility are fully described in Note 8 to the consolidated financial statements.

Contractual Obligations as of December 31, 2020

		Payments Due by Period			
(Amounts in thousands)	Total	Next 12 Months	2-3 Years	4-5 Years	More than 5 Years
Debt obligations	$ 77,400	$ 16,150	$ 16,187	$ 45,063	$ —
Facility leases	30,077	3,298	6,629	6,253	13,897
Equipment operating leases	280	83	166	31	—
Total Contractual Obligations	**$ 107,757**	**$ 19,531**	**$ 22,982**	**$ 51,347**	**$ 13,897**

Off-Balance Sheet Arrangements

The Company did not have any material off-balance sheet arrangements subsequent to, or upon the filing of our consolidated financial statements in our Annual Report as defined under SEC rules.

Effects of Inflation

Inflation and changing prices have not had a material impact on the Company's net revenues, results of operations, and cash flows as inflation has generally been limited. However, the Company has been able to modify its prices and cost structure to respond to inflation and changing prices as needed and expects to be able to do so in future periods.

Critical Accounting Policies and Estimates

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of goodwill and intangible assets, interest rate swaps, stock-based compensation, right-of-use assets and lease liabilities, valuation allowances established against deferred tax assets, and measurement of loss development on workers' compensation claims. In addition, the Company estimates overhead charges and allocates such charges throughout the year. Actual results could differ from those estimates. In particular, a material reduction in the fair value of goodwill would have a material adverse effect on the Company's financial position and results of operations. For a detailed discussion on the application of these and other accounting policies, you should review the discussion under the caption Significant Accounting Policies in Note 4 of the notes to our Consolidated Financial Statements contained elsewhere in this report on Form 10-Q.

Revenue Recognition

We recognize revenue over time when there is a continuous transfer of control to our customer. For our U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the U.S. government to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. When control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. For services contracts, we satisfy our performance obligations as services are rendered. We use a cost-based input method to measure progress.

For time-and-materials contracts, revenue is recognized to the extent of billable rates times hours delivered plus materials and other reimbursable costs incurred. Revenue for cost-reimbursable contracts is recorded as reimbursable costs are incurred, including an estimated share of the applicable contractual fees earned. Contract costs are expensed as incurred. Estimated losses are recognized when identified.

Refer to Note 5 of the accompanying notes to our Consolidated Financial Statements contained elsewhere in this report.

Long-Lived Assets

Our long-lived assets include equipment and improvements, right-of-use assets, intangible assets, and goodwill. The Company continues to review its long-lived assets for possible impairment or loss of value at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

Equipment and improvements are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful asset lives (3 to 7 years) and the shorter of the initial lease term or estimated useful life for leasehold improvements.

Costs incurred to place the asset in service are capitalized and costs incurred after implementation are expensed. Amortization expense is recorded when the software is placed in service on a straight-line basis over the estimated useful life of the software.

Right-of-use assets are measured at the present value of future minimum lease payments, including all probable renewals, plus lease payments made to the lessor before or at lease commencement and indirect costs, less incentives received. Our right-of-use assets include long-term leases for facilities and equipment and are amortized over their respective lease terms.

Intangible assets are originally recorded at fair value and amortized on a straight-line basis over their assessed useful lives. The assessed useful lives of the assets are 10 years.

Goodwill

The Company continues to review its goodwill for possible impairment or loss of value at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. Based on the results of the work performed, the Company has concluded that no impairment loss was warranted, as no change in business conditions occurred which would have a material adverse effect on the valuation of goodwill.

Our assessment incorporated effects of the COVID-19 pandemic, which did not have a meaningful impact on our financial results. Notwithstanding this evaluation, factors including non-renewal of a major contract or other substantial changes in business conditions could have a material adverse effect on the valuation of goodwill in future periods and the resulting charge could be material to future periods' results of operations.

Income Taxes

The Company accounts for income taxes in accordance with the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the consolidated balance sheet when it is determined that it is more likely than not that the asset will be realized. This guidance also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax asset will not be realized. The Company believes it has adequate sources of taxable income to fully utilize its net operating loss carryforwards before their expiration. The Company recorded no valuation allowance.

Stock-based Equity Compensation

The Company uses the fair value-based method for stock-based equity compensation. Options issued are designated as either an incentive stock or a non-statutory stock option. No option may be granted with a term of more than 10 years from the date of grant. Option awards may depend on achievement of certain performance measures determined by the Compensation Committee of our Board. Shares issued upon option exercise are newly issued common shares. All awards to employees and non-employees are recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses a Monte Carlo binomial and Black Scholes option pricing models to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

New Accounting Pronouncements

A discussion of recently issued accounting pronouncements is described in Note 3 of the accompanying notes to our Consolidated Financial Statements contained elsewhere in this report, and we incorporate such discussion by reference.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Except as described elsewhere in this report, the Company has not engaged in trading practices in securities or other financial instruments and therefore does not have any material exposure to interest rate risk, foreign currency exchange rate risk, commodity price risk or other similar risks, which might otherwise result from such practices. The Company has limited foreign operations and therefore is not materially subject to fluctuations in foreign exchange rates, commodity prices or other market rates or prices from market sensitive instruments. On September 30, 2019, we executed a floating-to-fixed interest rate swap with FNB as counter party. The notional amount in the floating-to-fixed interest rate swap is $28.8 million for the current fiscal year and was $36 million in the prior fiscal year; the remaining outstanding balance of our term loan is subject to interest rate fluctuations. We have determined that a 1.0% increase to the LIBOR rate would impact our interest expense by less than $0.4 million per year. As of December 31, 2020, the interest rate on the floating interest rate debt was 3.65%.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our CEO and President and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act) as of the end of the period covered by this report, have concluded that, based on the evaluation of these controls and procedures, our disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our CEO and President and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, including our CEO and President and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Our management, however, believes our disclosure controls and procedures are in fact effective to provide reasonable assurance that the objectives of the control system are met.

Changes in Internal Controls

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control that occurred during the fiscal quarter ended December 31, 2020, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

As a commercial enterprise and employer, the Company is subject to various claims and legal actions in the ordinary course of business. These matters can include professional liability, employment-relations issues, workers' compensation, tax, payroll and employee-related matters, other commercial disputes arising in the course of its business, and inquiries and investigations by governmental agencies regarding our employment practices or other matters. The Company is not aware of any pending or threatened litigation that it believes is reasonably likely to have a material adverse effect on its results of operations, financial position or cash flows.

ITEM 1A: RISK FACTORS

Our operating results and financial condition have varied in the past and may in the future vary significantly depending on a number of factors. In addition to the other information set forth in this report, you should carefully consider the factors discussed in the "Risk Factors" section in our Annual Report on Form 10-K for the year ended September 30, 2020 and in our other reports filed with the SEC concerning the risks associated with our business, financial condition and results of operations. These factors, among others, could materially and adversely affect our business, results of operations, financial condition or liquidity and cause our actual results to differ materially from those contained in statements made in this report and presented elsewhere by management from time to time. The risks we have identified in our reports are not the only risks facing us. For example, these risks now include the impacts from the novel coronavirus ("COVID-19") outbreak on our business, financial condition and results of operations. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial may also materially adversely affect our business, results of operations, financial condition or liquidity. See Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. Other than as described in this report, we believe that there have been no material changes from the risk factors described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the period covered by this report, the Company did not issue any securities that were not registered under the Securities Act of 1933, as amended, except as has been reported in previous filings with the SEC or as set forth elsewhere herein.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS

Exhibits to this report which have previously been filed with the Commission are incorporated by reference to the document referenced in the following table. The exhibits designated with a number sign (#) indicate a management contract or compensation plan or arrangement.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Dated	Exhibit	
10.1	Form of Performance Restricted Stock Units granted December 9, 2020 #				X
31.1	Certification of Chief Executive Officer pursuant to Section 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a)				X
31.2	Certification of Chief Financial Officer pursuant to Section 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a)				X
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 17 CFR 240.13a-14(b) or 17 CFR 240.15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code				X
101	The following financial information from the DLH Holdings Corp. Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Cash Flows; and, (iv) the Notes to the Consolidated Financial Statements.				X

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DLH HOLDINGS CORP.

By: /s/ Kathryn M. JohnBull
Kathryn M. JohnBull
Chief Financial Officer
(On behalf of the registrant and as Principal Financial and Accounting Officer)

Date: February 2, 2021

DLH HOLDINGS CORP.
PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

This Performance-Based Restricted Stock Unit Award Agreement (the "**Agreement**"), dated as of the Grant Date specified in the table below, is between DLH Holdings Corp. (the "**Company**") and the grantee named in the table below (the "**Grantee**"). The Grantee has been granted an award of Performance-Based Restricted Stock Units (the "**Performance RSUs**" or the "**Performance Award**") pursuant to the DLH Holdings Corp. 2016 Omnibus Equity Incentive Plan, as amended from time to time (the "**Plan**"), representing the right to receive on the settlement date (described below) shares of common stock of DLH Holdings Corp., par value $0.001 per share, subject to the terms and conditions of this Agreement. The Performance Award and this Agreement shall in all respects be subject to the terms and conditions of the Plan, the provisions of which are incorporated herein by reference.

Grantee:	______________________________
Grant Date:	December 9, 2020
Total Target Number of Performance RSUs:	[ ] Performance RSUs, subject to adjustment as provided in this Agreement.
Performance Period:	October 1, 2020 through September 30, 2023
Performance Goals:	i. Revenue Growth Target: As provided in Section 3(c) ii. Stock Price Target: As provided in Section 3(c)

1. DEFINITIONS.

The following definitions apply under this Agreement:

(a) "**Cause**" shall have the meaning ascribed to such term as set forth in Grantee's written Compensation Agreement (as defined below); provided, however, that if such term is not defined in such Compensation Agreement, then the term "Cause" shall have the meaning ascribed to such term as is set forth in the Plan.

(b) **"Change in Control"** shall have the meaning ascribed to such term as set forth in a Compensation Agreement between the Company and Grantee; provided, however, that if such term is not defined in such Compensation Agreement, then the term "Change in Control" shall have the meaning ascribed to such term in the Plan.

(c) **"Compensation Agreement"** shall mean a written employment agreement, severance agreement, offer letter or similar compensatory agreement between the Grantee and the Company.

(d) **"Fiscal Year"** means the fiscal year of the Company, which is currently October 1 through September 30.

(e) **"Good Reason"** shall have the meaning ascribed to such term as set forth in Grantee's written Compensation Agreement; provided, however, that if such term is not defined in such Compensation Agreement, then the term "Good Reason" shall have the meaning ascribed to such term as is set forth in Section 5(e) of this Agreement. Notwithstanding the foregoing, however, to the extent that Grantee's Compensation Agreement includes a definition of "Good Reason" that permits the Grantee to terminate his or her employment in connection with a Change in Control, the Grantee hereby agrees that such definition is modified to provide that Grantee can only exercise such right if, without Grantee's consent, either (i) the Grantee ceases to be an "executive officer" (as such term is defined by the Securities Exchange Act of 1934, as amended); or (ii) the failure by any successor to the Company to expressly assume all obligations of the Company under such Compensation Agreement.

(f) **"Involuntary Termination Without Cause"** means a Termination of Service due to the termination of Grantee's employment by the Company without Cause.

(g) **"Performance Period"** shall have the meaning ascribed to such term as set forth in Section 3(b) of this Agreement.

(h) **"Performance Goals"** shall mean the Revenue Growth Target and Stock Price Target as detailed in Section 3(c) of this Agreement.

(i) **"Service Requirement"** means that the Grantee must have been in the continuous employment of the Company (or a subsidiary or Affiliate of the Company) from the Grant Date through the end of the Performance Period without incurring a Termination of Service.

(j) **"Termination of Service"** means a Termination of Service, as defined in the Plan, of the Grantee from the Company (or a subsidiary or Affiliate of the Company).

Any capitalized term used herein that is not expressly defined in this Agreement shall have the meaning that such term has under the Plan unless otherwise provided herein.

2. INTERPRETATION AND APPLICABILITY OF PERFORMANCE AWARD.

(a) This Agreement sets forth the terms and conditions of your Performance Award under the Plan, as determined by the Committee. Additional terms and conditions of this Agreement are contained in the Plan, which is hereby incorporated into and made a part of this Agreement. All questions of interpretation concerning this Agreement and the Plan shall be determined by the Management Resources and Compensation Committee of the Board of Directors of the Company (the "**Committee**") or the Board of Directors of the Company (the "**Board**"). In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

(b) Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. PERFORMANCE AWARD.

(a) **Grant of Performance RSUs.** Subject to the terms of this Agreement and the Plan, the Company hereby grants to the Grantee, an award of Performance RSUs, subject to the Performance Goals and other terms and conditions set forth in this Agreement. The Performance RSUs represent the right to receive the number of shares of Common Stock of the Company (the "**Shares**") as determined in accordance with the terms and conditions of this Agreement. The actual number of Shares that the Grantee will receive under this Agreement, if any, will be based on the Company's achievement of the Performance Goals during the Performance Period, subject to forfeiture and the other terms and conditions of this Agreement and the Plan. Subject to the terms and conditions of this Performance Award, the Grantee may be entitled to a payment in Shares based on the "Total Target Number of Shares" set forth above, with each Performance RSU representing one Share (the "**Target Award**"). The actual number of Shares that the Grantee may receive, if any, will be determined by the Committee in accordance with Section 3 and Section 4 hereof, and may be greater than, equal to, or less than the Target Award, based on the Company's performance during the Performance Period. Notwithstanding the foregoing and any other provision of this Performance Award, however, in no event shall the total number of Shares issued to the Grantee hereunder exceed the individual award limitation set forth in the Plan. Except as provided below, the Grantee shall not have any rights to any Shares pursuant to this Performance Award until the Committee has determined that the Performance Goals have been achieved and Grantee has fulfilled the Service Requirement.

(b) **Performance Period**. Provided that one or more of the Performance Goals specified herein are achieved during the three-year performance period commencing October 1, 2020 and ending September 30, 2023 (the "**Performance Period**"), the Performance Award shall vest, in part or in full, following the conclusion of the Performance Period, upon the determination of the Committee.

(c) **Performance Goals**. The Performance Award shall initially be 100% unvested and subject to forfeiture. Subject to Section 5 of this Agreement, the Performance Award shall vest, only upon and to the extent of, the satisfaction of the Performance Goals as of the end of the Performance Period and the fulfillment of the Grantee's Service Requirement. The determination of whether one or more Performance Goals have been satisfied, and whether the Grantee is entitled to receive Shares hereunder, will be made by the Committee as soon as practicable following the conclusion of the Performance Period. Of the Target Award, the relative weighting of each of the Performance Goals is as follows: (1) fifty percent (50%) of the Target Award is subject to vesting based on the achievement of the revenue growth target as of the end of the Performance Period, as set forth below (the "**Revenue Growth Target**") and (2) fifty percent (50%) of the Target Award is subject to vesting based on the achievement of the stock price growth target as of the end of the Performance Period, as set forth below (the "**Stock Price Target**"). The actual amount of this Performance Award that may vest shall range from 0% to 125% of the Target Award, based on actual performance during the Performance Period. The Performance Goals are as set forth below:

Revenue Growth Performance Goal:[1]	The Revenue Growth Target for the Performance Period will be achieved at the target level if the revenue recognized by the Company for the Performance Period represents growth at a level of 30% above the revenue recognized by the Company for the 2020 Fiscal Year of $209,185,000.
Stock Price Performance Goal:[2]	The Stock Price Target for the Performance Period will be achieved at the target level if the average closing price per share of Common Stock of the Company, measured over a thirty (30) trading-day period ending prior to the close of business on the last trading day of the 2023 Fiscal Year, is at least $17.98 per share.

(d) **Performance Matrix**. The achievement level for each Performance Goal during the Performance Period will be determined according to the matrix set forth below. For example, (A) if all Performance Goals for the Performance Period are achieved at the "Target" level (as indicated in the table below), the Grantee would earn 100% of the potential Target Award and (B) the maximum amount that Grantee may earn for achieving a Performance Goal is as stated as the "Maximum" level in the table below. The baseline performance level is established at the "Threshold" level set forth below. Accordingly, the number of Shares that are eligible to vest in respect of the Revenue Growth Target and the Stock Price Target during the Performance Period shall be forfeited and no amounts will be earned if the performance achieved for the Revenue Growth Target or the Stock Price Target, as applicable, is below the "Threshold" level. If the Company achieves either or both of the Revenue Growth Target or the Stock Price Target in amounts between the levels listed in the table below (i.e. between "Threshold" and "Target" or between "Target" and "Maximum"), the percentage of the Revenue Growth Target or Stock Price Target, as applicable, that will become earned and vested will be interpolated on a straight-line basis between the closest two percentages in the table below.

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[1] Revenue Growth means the increase in total revenue recognized by the Company (audited) for the three fiscal year Performance Period ending September 30, 2023, as compared with the audited revenues recognized by the Company for its 2020 fiscal year, (i) in accordance with GAAP and (ii) excluding the value of revenues generated from the Company's consummation of acquisitions during the period commencing on the date that is 30 calendar days prior to the start of the Performance Period and ending coterminous with the Performance Period, provided that such excluded revenues are valued as of the closing date of any acquisition.

[2] The determination of the whether the Stock Price Goal is achieved shall be based on the following criteria. For the purpose of determining the closing price of the Company's Common Stock, the closing price of a share of the Company's Common Stock shall mean (A) if the Common Stock is traded on a national securities exchange, including on any tier of the Nasdaq Stock Market ("Nasdaq"), the per share closing price of the Common Stock shall be the reported closing price the on principal securities exchange on which such shares are listed on the date of determination (or if there is no closing price for such date of determination, then the last preceding business day on which there was a closing price); or (B) if the Common Stock is traded in the over-the-counter market but bid quotations are not published on Nasdaq, the per share closing price of the Common Stock shall be the closing bid price per share for the Common Stock as furnished by a broker-dealer which regularly furnishes price quotations for the Common Stock on the date of determination (or if there is no closing price for such date of determination, then the last preceding business day on which there was a closing price). All calculations of the Company's common stock price shall include any adjustments as may be necessary to give effect to any stock splits, reverse stock splits, stock dividends, recapitalizations and other similar transactions as specified in the Plan that occur after the Grant Date.

Performance	Percentage Achievement of Performance Goal	% of Target Number of Shares Eligible to be Earned
Below Threshold	<80%	0%
Threshold	80%	80%
Target	100%	100%
Maximum	125%	125%

4. DETERMINATION AND PAYOUT OF PERFORMANCE AWARDS.

(a) **Certification.** As soon as practicable following the end of the Performance Period, but in any event within two and one-half (2½) months following the end of the Performance Period, (a) the Committee will review and certify in writing (i) whether, and to what extent, the Performance Goals for the Performance Period have been achieved, and (ii) the total payout that the Grantee has earned and that is to be delivered by the Company to the Grantee; and (b) the Company shall cause to be issued and delivered to the Grantee the total number of Shares, if any, in the amount certified by the Committee, as earned by the Grantee pursuant to the terms and conditions of this Agreement. Such written certification of the Committee shall be final, conclusive and binding on the Grantee, and on all other persons, to the maximum extent permitted by law.

(b) **Vesting.** All vested amounts shall be paid by the Company in whole Shares in accordance with the provisions of this Agreement. In addition to achievement of the Performance Goals, vesting of this Performance Award is subject to satisfaction of the Service Requirement, except as specified herein upon certain events resulting in termination of employment of the Grantee prior to the end of the Performance Period. Except as specified herein, continued employment will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights or benefits in connection with the end of the Performance Period to the extent the related performance condition(s) are not satisfied.

(c) **Calculation and Payment**. Individual payouts will be calculated and paid to each Grantee who remains employed with the Company as of the end of the Performance Period (subject to Section 5 below) as soon as practicable following the Committee's certification of performance for the Performance Period and in accordance with the following provisions:

(i) At the conclusion of the Performance Period, the Company's performance against the Performance Goals will be measured pursuant to the terms of Sections 3(c) and 3(d).

(ii) The total number of Shares which may be issued to the Grantee for the Performance Period, if any, will be determined for each Performance Goal in accordance with Section 3 and Section 4 of this Agreement by (A) multiplying (*w*) the total Target Number of Shares by (*x*) the respective weight assigned to such Performance Goal and then (B) for each Performance Goal, multiplying (*y*) the product resulting from the foregoing calculation by (*z*) the applicable Percentage of the Target Number of Shares eligible to be earned for such Performance Goal (as determined in accordance with Section 3(d)). The product resulting from the calculation for each Performance Goal will then be summed to determine the total number of Shares, if any, to be issued to the Grantee.

(d) **Issuance of Shares.** Delivery of vested Shares (if any) is anticipated to be made within 2½ months after the end of the Performance Period. The date of any transfer of Shares hereunder shall be the settlement date for purposes of this Agreement. No Shares will be delivered pursuant to this Performance Award unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Company. Shares issued in settlement of the Performance RSUs shall be made, in the sole discretion of the Committee (or its designees), either through the issuance to the Grantee (or to the executors or administrators of Grantee's estate in the event of the Grantee's death) of a stock certificate or evidence such Shares have been registered in book entry form in the name of the Grantee with the Company's stock transfer agent. The Shares issued upon the settlement of the Performance RSUs shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to this Agreement, the Company's insider trading policies, any federal, state or foreign law, or any contractual obligation to which the Grantee is subject (such as a "lock-up" or "market stand-off" agreement). The Company shall not be required to issue fractional Shares upon the settlement of the Performance RSUs and the Committee shall, in its discretion, determine an equivalent benefit for any fractional shares that might be created upon settlement.

5. TREATMENT FOLLOWING TERMINATION OF SERVICE.

(a) **Continuous Employment Requirement; Forfeiture.** Except as provided in Sections 5(b) through 5(d), or otherwise determined by the Committee, in order to become vested in (i.e., have the right to receive payment of) Performance Awards under the terms of this Agreement, the Grantee must have been in the continuous employment of the Company (or a subsidiary or Affiliate of the Company) from the Grant Date through the close of business on the last day of the Performance Period (or such earlier date on which the Performance Awards become vested under Sections 5(b) through 5(d)). The Grantee shall not be deemed to be employed by the Company (or a subsidiary or Affiliate of the Company) if the Grantee's employment has been terminated, even if the Grantee is receiving severance in the form of salary continuation through the regular payroll system. If the Grantee's employment with the Company (or a subsidiary or Affiliate of the Company) is terminated prior to the end of the Performance Period for any reason other than as specified in either Sections 5(b) through 5(d) of this Agreement, the Grantee shall forfeit any Performance Awards granted under this Agreement.

(b) **Disability or Death.** Notwithstanding any contrary provision in any Compensation Agreement between the Company and Grantee, in the event that the Grantee's employment with the Company is terminated due the Grantee's death or Disability (as defined in the Grantee's Compensation Agreement, or if not defined therein, then in the Plan), the Grantee (or its estate) shall vest in a portion of the Performance Award based on a fraction, the numerator of which is the number of days during the Performance Period during which the Grantee was employed by the Company (or a subsidiary or Affiliate of the Company) and the denominator of which is the total number of days of the Performance Period. In the event of Grantee's death, the Performance Award shall immediately vest as of the date of death to the extent of the proration formula and be payable to the Grantee's estate at the Target Award level as promptly as practicable. In the event of Grantee's Disability, the prorated amount of the Performance Award will vest at the Target Award level and payment therefor shall be made to the Grantee (or its legal representative) in accordance with the terms of this Agreement following the end of the Performance Period.

(c) **Involuntary Termination Without Cause or for Good Reason.** Except in connection with a Change in Control, if the Grantee's employment terminates at least six months after the Grant Date due to (A) an Involuntary Termination without Cause or (B) termination for Good Reason, a prorated portion of any unearned Performance RSUs shall become earned and vested in accordance with this Section. Any such vested Performance RSUs shall not be paid until the determination date as provided for in Section 4. Such prorated vesting shall be determined as follows: the total target number of Performance RSUs granted (based on the Target Award level) shall be multiplied by a fraction, the numerator of which is the number of days from the first day of the Performance Period through the date of Involuntary Termination without Cause or termination for Good Reason, and the denominator or which is the total number of days in the Performance Period. Any such vesting under this Section shall be subject to the following additional requirements: (x) the Grantee must execute, deliver and not revoke, no later than sixty (60) days following the termination of employment, a general release of claims if requested by, and in a form satisfactory to, the Company, and (y) the Grantee complies with the requirements of any restrictive covenants contained in its Compensation Agreement. The payment of the amounts which are earned or vest in accordance with this provision shall be made when payment would otherwise have been made following the end of the Performance Period. This Section shall supersede any conflicting provisions that may be set forth in Grantee's Compensation Agreement.

(d) **Change in Control.** Notwithstanding anything in this Agreement to the contrary, but subject to the provisions of Section 11.2(b) of the Plan, if (A) a Change in Control occurs after the first anniversary date of the Grant Date and (B) the Grantee has a Change in Control Termination, then any unearned Performance RSUs shall become immediately earned and vested as of the date of such Change in Control Termination at the greater of (y) Target Award level or (z) the actual level of performance (determined in accordance with Section 3(d) of this Agreement) determined as if the Performance Period had ended as of the Company's fiscal quarter end preceding the date of the consummation of the Change in Control. As used herein, a "Change in Control Termination" means that the termination of the Grantee's employment on or within a period of ninety (90) days of a Change in Control if such termination is either (i) an Involuntarily Termination Without Cause or (ii) the Grantee terminates its employment relationship with the Company (or a subsidiary or Affiliate of the Company) for Good Reason.

(e) **Good Reason**. Subject to Section 1(e) of this Agreement, the term "Good Reason" shall mean without the written consent of the Grantee: (a) a material breach of any provision of the Grantee's Compensation Agreement by the Company; (b) failure by the Company to pay when due a material portion of compensation to the Grantee; (c) a material reduction in the Grantee's base salary, as determined in its Compensation Agreement; (d) failure by the Company to maintain the Grantee in the positions referred to its Compensation Agreement; (e) assignment to the Grantee of any duties materially and adversely inconsistent with its positions, authority, duties, responsibilities, powers, functions, reporting relationship or any other action by the Company that results in a material diminution of such positions, authority, duties, responsibilities, powers, functions, or reporting relationship; or (f) within 90 days of the date on which a Change of Control event is legally consummated, either of the following events occurs without the written consent of the Employee: (A) the Grantee ceases to serve as an "executive officer" of the Company (as such term is defined by the Securities Exchange Act of 1934) or (B) any successor to the Company does not expressly assume all obligations of the Company under this Agreement. Notwithstanding the foregoing, however, before the Grantee may resign for Good Reason, the Grantee must either (A) comply with any notice and cure procedures specified in its Compensation Agreement or (B) if such Compensation Agreement does not provide for any notice and cure procedures relating to a termination for Good Reason, then Grantee must provide written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the event or the initial existence of the condition, (ii) the Company fails to remedy the event or condition within a period of 30 days following such notice, and (iii) the Grantee's termination for Good Reason occurs within 90 days after the date the Company fails to remedy the event or condition.

(f) **Beneficiary.** The Grantee may, from time to time, designate a beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of the Grantee's death before the Grantee has received all benefits to which the Grantee would have been entitled under this Agreement. Each beneficiary designation shall revoke all prior designations by the Grantee, shall be in a form prescribed by the Committee, and will be effective only when received in writing by the Committee. The last valid beneficiary designation received shall be controlling; provided, however, that no beneficiary designation, or change or revocation thereof, shall be effective unless received prior to the Grantee's death. If no valid and effective beneficiary designation exists at the time of the Grantee's death, or if no designated beneficiary survives the Grantee, or if the Grantee's beneficiary designation is invalid under law, any benefit payable hereunder shall be made to the Grantee's surviving spouse, if any, or if there is no such surviving spouse, to the executor or administrator of the Grantee's estate. If the Committee is in doubt as to the right of any person to receive payment of any benefit hereunder, the Committee may direct that the amount of such benefit be paid into a court of competent jurisdiction in an interpleader action, and such payment into court shall fully and completely discharge any liability or obligation of the Company, the Committee, or the Board under this Agreement.

6. RESTRICTIONS AND ACKNOWLEDGMENTS.

(a) **Restrictions on Grant and Issuance of Shares.** The grant of the Performance Award and issuance of Shares upon settlement of the Performance RSUs shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. If the issuance of Shares upon settlement of the Performance RSUs would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed, then no such Shares may be issued unless and until all such laws, regulations and stock exchange requirements have been satisfied. As a condition to the settlement of the Performance Award, the Company may require the Grantee to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

(b) **Adjustments for Changes in Capital Structure**. Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Shares effected by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of Shares, exchange of Shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Shares (excepting normal cash dividends) that has a material effect on the fair market value of Shares, appropriate and proportionate adjustments shall be made in the number of Performance RSUs subject to the Performance Award and/or the number and kind of shares to be issued in settlement of the Performance RSUs, in order to prevent dilution or enlargement of the Grantee's rights under the Performance Award. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee as contemplated by the Plan, and its determination shall be final, binding and conclusive.

(c) **Rights as a Stockholder.** The Grantee shall have no rights as a stockholder with respect to any Shares which may be issued in settlement of the Performance RSUs until the date of the issuance of such Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). Performance RSUs constitute an unfunded and unsecured right to require the Company to deliver to the Grantee the number of Shares, as provided in, and subject to the terms and conditions of, the Plan and this Agreement. Upon issuance of Shares in connection with the settlement of vested Performance RSUs, the Grantee shall be the record owner of such Shares unless and until such Shares are sold or otherwise disposed of. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 6(b) of this Agreement and you shall receive no benefit with respect to any cash dividend, stock dividend or other distribution that does not result from an adjustment as provided in Section 6(b).

(d) **Legends**. The Company may at any time determine to issue certificates representing the Shares issued pursuant to this Agreement rather than issue uncertificated Shares and the Company may at any time place legends referencing any applicable restrictions under federal, state or foreign securities law or required under any contractual obligations (as contemplated above) on all certificates representing Shares issued pursuant to this Agreement. The Grantee shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to settlement of the Performance RSUs in the possession of the Grantee in order to carry out the provisions of this section.

7. FORFEITURE OF AWARD AND RIGHT TO PAYMENTS.

(a) **Forfeiture of Award and Right to Payments.** Payments under this Agreement are subject to recovery by the Company to the extent required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the Sarbanes-Oxley Act of 2002, and any regulations promulgated thereunder, including, without limitation, in the following circumstances:

(i) Forfeiture for Financial Reporting Misconduct. If the Company is required to prepare an accounting restatement due to material noncompliance by the Company with any financial reporting requirement under the securities laws, (x) with respect to any Grantee who either knowingly or grossly negligently engaged in the misconduct or knowingly or grossly negligently failed to prevent the misconduct as determined by the Committee or is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, such Grantee shall forfeit and disgorge to the Company any award amounts (A) received during the twelve (12)-month period following the filing of the financial document embodying such financial reporting requirement or (B) earned based on the materially non-complying financial reporting, and (y) with respect to any Grantee who is a current or former executive officer of the Company (as defined under the Securities Exchange Act of 1934) who received incentive compensation under the Plan during the three-year period preceding the date on which the Company is required to prepare such accounting restatement, based on erroneous data, in excess of what would have been awarded or paid to such Grantee under such accounting restatement, such Grantee shall forfeit and disgorge to the Company such excess incentive compensation.

(ii) Forfeiture for Other Misconduct. In addition, in the event that the employment of the Grantee is terminated for Cause, including a breach by the Grantee of any of the restrictive covenants contained in such Grantee’s Compensation Agreement, then, in such event, the Grantee shall forfeit all rights to the Performance Award and shall repay to the Company all amounts received by the Grantee with respect to such Performance Awards granted or paid any time after the date of the act giving rise to the Grantee’s termination for Cause. In the event that, following the Grantee’s termination of employment the Company discovers that, during the course of his employment with the Company, the

Grantee committed an act that would have given rise to a termination for Cause, then, in such event, the Grantee shall forfeit all remaining rights to the Performance Award.

(iii) Other. Notwithstanding any other provisions in this Agreement to the contrary, the Grantee agrees and acknowledges that any amounts paid or payable to it pursuant to this Agreement which is subject to recoupment or clawback under any applicable law, government regulation, or stock exchange listing requirement, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and such regulations as may be promulgated thereunder by the Securities and Exchange Commission, shall be subject to such deductions and clawback (recovery) as may be required to be made pursuant to applicable law, government regulation, stock exchange listing requirement or any policy of the Company adopted pursuant to any such law, government regulation, or stock exchange listing requirement.

8. MISCELLANEOUS.

(a) **No Restriction on Company Authority.** The grant of the Performance Award to the Grantee pursuant to this Agreement shall not affect in any way the right or power of the Company or its stockholders to make or authorize (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, (ii) any merger or consolidation of the Company, (iii) any issue of bonds, debentures, common stock, preferred stock or securities convertible into or exercisable for shares of the Company's common stock or preferred stock, (iv) the dissolution or liquidation of the Company, (v) any sale or transfer of all or any part of its assets or business, or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.

(b) **No Guaranty of Future Awards**. By entering into this Agreement and accepting this Performance Award, the Grantee acknowledges that: (i) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time, (ii) the Performance Award does not create any contractual or other right to receive future awards of any type under the Plan or otherwise; (iii) the Committee (or Board) retains the sole discretion as to whether to grant future awards under the Plan and with respect to any terms and conditions of awards which it may elect to grant; (iv) the Grantee's participation in the Plan is voluntary; (v) grants of Performance Awards are not to be used for calculating any severance, resignation, end of service payments, bonuses, retirement benefits, compensation, earnings or for the purposes of any other benefit plan offered by the Company; and (vi) the future value of the underlying Shares is unknown and cannot be predicted with certainty.

(c) **Obligation Unfunded.** The obligation of the Company with respect to the Performance Award granted hereunder shall be interpreted solely as an unfunded contractual obligation to make payments in the manner and under the conditions prescribed under this Agreement. Any assets set aside with respect to amounts payable under this Agreement shall be subject to the claims of the Company's general creditors, and no person other than the Company shall, by virtue of the provisions of the Plan or this Agreement, have any interest in such assets. Neither the Grantee nor any other person shall have any interest in any particular assets of the Company by reason of the right to receive a benefit under this Agreement, and the Grantee or any such other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Plan or this Agreement. The Grantee acknowledges that neither the Plan nor any Performance Award thereunder is intended to be subject to the Employee Retirement Income and Security Act of 1974, as amended.

(d) **Committee Authority**. The Committee or the Board reserves the right to terminate, amend, or modify the Plan in its sole discretion. This Agreement and the rights of the Grantee hereunder are subject to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee (or the Board) is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Grantee and all persons having an interest in the Performance Award.

(e) **Restrictive Covenants**. Except where prohibited by law, if the Grantee is not a party to an agreement with the Company providing for post-employment restrictive covenants, Grantee agrees to comply with the Covenant Agreement annexed as **Exhibit A** to this Agreement.

(f) **Tax Consequences.** Regardless of any action the Company takes with respect to any or all federal, state, or local income tax, social insurance, payroll tax, payment on account or other tax-related withholding regarding the Performance Award ("**Tax-Related Items**"), Grantee acknowledges and understands that it is responsible for its own tax liabilities that may arise as a result of the transactions contemplated by this Performance Award. Grantee hereby authorizes the Company to withhold all applicable Tax-Related Items legally payable by Grantee from its wages or other cash compensation paid to Grantee by the Company, or from payment otherwise owed to Grantee under this Performance Award. The Grantee may elect, subject to any procedural rules adopted by the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having an aggregate Fair Market Value on the date the tax is to be determined, equal to the minimum amount required by law to be withheld. Further, Grantee shall pay to the Company any amount of Tax-Related Items that the Company may be required to withhold as a result of Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver any Shares if Grantee fails to comply with its obligations in connection with the Tax-Related Items as described in this section. The Grantee acknowledges that the Company has not advised the Grantee regarding the Grantee's income tax liability in connection with the grant or vesting of the Performance RSUs and the delivery of Shares in connection therewith. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, and local and tax consequences of the grant and vesting of the Performance RSUs and the delivery of Shares in connection therewith as contemplated by this Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

(g) **Compliance with Section 409A.** To the extent applicable, it is intended that the Plan and the Agreement comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), if applicable, or an exception thereto, and any related regulations or other guidance promulgated with respect to such section by the U.S. Department of the Treasury or the Internal Revenue Service. Accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to comply therewith. In no event shall the Grantee, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, Grantee shall not be considered to have terminated employment with the Company for purposes of this Agreement until Grantee would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A. For purposes of this Agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following Grantee's separation from service shall instead be paid on the first business day after the date that is six months following Grantee's separation from service (or death, if earlier). This Agreement may be amended without the consent of the Grantee in any respect deemed in good-faith by the Board or the Committee to be necessary in order to preserve compliance with Section 409A of the Code.

(h) **No Right to Continued Employment.** Nothing in the Plan or this Agreement shall be construed as a contract of employment between the Company (or a subsidiary or Affiliate of the Company) and the Grantee, or as a contractual right of the Grantee to continue in the employ of the Company (or a subsidiary or Affiliate of the Company), or as a limitation of the right of the Company (or a subsidiary or Affiliate of the Company) to discharge the Grantee at any time.

(i) **Governing Law; Arbitration.** This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of New Jersey. Any dispute between the parties hereto arising under or relating to this Agreement shall be resolved in accordance with the procedures of the American Arbitration Association. Any resulting hearing shall be held in the Atlanta, Georgia metropolitan area. The resolution of any dispute achieved through such arbitration shall be binding and enforceable by a court of competent jurisdiction.

(j) **Restrictions on Transfer.** Prior to the issuance of Shares on the applicable settlement date, neither this Agreement, the Performance Award, any Performance RSUs subject to the Performance Award, nor any Shares issuable upon settlement, shall be subject in any manner to alienation, sale, exchange, transfer, assignment, pledge, hypothecation, encumbrance, or levy or garnishment by creditors of the Grantee or the Grantee's beneficiaries, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Grantee's lifetime only by the Grantee or the Grantee's guardian or legal representative.

(k) **Binding Effect**. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Grantee and the Grantee's heirs, executors, administrators, successors and permitted assigns. This Plan shall be assignable by the Company to any corporation, partnership or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation, partnership or other entity, or any corporation, partnership, or other entity to or with which all or any portion of the Company's business or assets may be sold, exchanged or transferred.

(l) **Headings.** Headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this agreement.

(m) **Notices.** All notices and other communications made or given pursuant to the Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by first class or certified mail, addressed to the Grantee at the address contained in the records of the Company, or addressed to the Committee, care of the Company for the attention of its Secretary at its principal office or, transmitted and received via facsimile or such other electronic transmission mechanism as may be available to the parties. The Grantee agrees that the Plan documents and this Agreement may be delivered to it electronically, including by means of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company. The Grantee acknowledges that the Grantee has read this section and consents to the electronic delivery of the Plan documents and this Agreement. The Grantee acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Grantee by contacting the Company in writing. The Grantee further acknowledges that the Grantee will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Grantee may revoke his or her consent to the electronic delivery of documents or may change the electronic mail address to which such documents are to be delivered (if Grantee has provided an electronic mail address) at any time by notifying the Company in writing of such revoked consent or revised e-mail address. Finally, the Grantee understands that he or she is not required to consent to electronic delivery of documents.

(n) **Entire Agreement; Modification and Waiver.** This Agreement, together with its exhibits and the Plan, embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and supersedes and preempts any prior written or oral understandings, agreements or representations by or among any of the parties that may relate to the subject matter hereof. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Performance Award. The failure of the Company to enforce at any time any provision of this Agreement will in no way be construed to be a waiver of such provision or of any other provision hereof.

(o) **Conformity with Plan.** This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan, which is incorporated herein by reference. Acceptance of this Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Performance Award and your agreement to be bound by the restrictions contained herein and the terms and conditions of the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in the Agreement or any matters as to which the Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (i) interpret the Plan and agreements related thereto, (ii) prescribe, amend and rescind rules and regulations relating to the Plan, and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan. The Grantee acknowledges by signing this Agreement that such Grantee has reviewed a copy of the Plan, any prospectus for the Plan, and this Award Agreement and that it accepts this Performance Award subject to all of its terms and conditions.

(p) **Conflict Between Agreements**. In the event of any conflict or inconsistency between this Agreement and any terms or conditions set forth in any Compensation Agreement between the Grantee and the Company, the terms and conditions set forth in this Agreement shall prevail.

(q) **Bankruptcy; Dissolution.** Performance Awards granted under this Agreement shall be of no further force or effect and forfeited in the event that the Company is placed under the jurisdiction of a bankruptcy court, or is dissolved or liquidated.

(r) **Severability**. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

(s) **Execution; Counterparts.** This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page was an original thereof.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this Performance Award Agreement to be executed by its duly authorized officer, and the Grantee has hereunto set his or her hand, on the date(s) written below.

DLH HOLDINGS CORP.

/s/

Name: Frances M. Murphy
Title: Chair, Management Resources and Compensation Committee

Date: December 9, 2020

GRANTEE

/s/

Name:

Date:

Attachment: 2016 Omnibus Equity Incentive Plan, as amended.

Exhibit A
Covenant Agreement
(LTIP Performance Award Agreement)

This Covenant Agreement (the "Covenant Agreement") attached as Exhibit A to the Performance Award Agreement dated as of December 9, 2020, (the "Award Agreement") is entered into in consideration of, among other things, the grant by DLH Holdings Corp. of a Long-Term Incentive Performance Award to Grantee under the Award Agreement (the "Performance Award"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Award Agreement to which it is attached. By accepting the Performance Award, the Grantee agrees as follows:

1. Non-Solicitation. The Grantee agrees that, both while serving as an employee of the Company (or any subsidiary) and for one year after Termination of Service, the Grantee will not solicit or attempt to solicit any employee of the Company to leave his or her employment or to violate the terms of any agreement or understanding that employee may have with the Company. The foregoing obligations apply to both the Grantee's direct and indirect actions, and apply to actions intended to benefit the Grantee or any other person, business or entity. The Grantee further agrees that, for one year after any Termination of Service, the Grantee will not participate in any solicitation of any customer or prospective customer of the Company concerning any business that: (i) involves the same programs or projects for that customer in which the Grantee was personally and substantially involved during the 12 months prior to Termination of Service; or (ii) has been, at any time during the 12 months prior to Termination of Service, the subject of any capture effort, bid, offer or proposal activity by the Company in respect of that customer or prospective customer, or any negotiations or discussions about the possible performance of services by the Company to that customer or potential customer, in which the Grantee was personally and substantially involved. In the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer or prospective customer will be determined by reference to the specific program offices or activities for which the Company provides (or may provide) goods or services.

2. Non-Competition. To the extent allowed by and consistent with applicable law, the Grantee agrees that during the terms of Grantee's employment with the Company (or any subsidiary) and for one year after any Termination of Service, the Grantee will not, directly or indirectly, on behalf of the Grantee or any other person or entity other than the Company, perform on any program, or provide oversight on any program, product, or service: (i) that would cause the Grantee to use, disclose, or access confidential or proprietary Company information; and/or (ii) with which Grantee was personally and substantially involved during the 12 months prior to Termination of Service, or that is competitive with any such program, product, or service; and/or (iii) that is associated with any program, product or service that was the subject of any capture effort, bid, offer or proposal activity by the Company in which the Grantee was personally and substantially involved during the 12 months prior to Termination of Service.

3. Confidentiality. At all times, both during Grantee's employment with the Company (and any subsidiary) and after its termination, Grantee hereby agrees (a) to keep and hold all Proprietary Information (as defined below) in strict confidence and trust and (b) not to use, disclose, copy, reverse-engineer, distribute, gain unauthorized access or misappropriate any Proprietary Information without the prior written consent of the Company, except as may be necessary to perform his or her duties as an employee of the Company for the benefit of the Company. Grantee agrees that upon the termination of his or her employment with the Company, Grantee will promptly deliver to the Company all documents and materials of any nature or form, in its possession, custody or control, pertaining to his or her work with the Company and, upon Company request, will execute a document confirming his or her agreement to honor Grantee's responsibilities contained in this Covenant Agreement. Further, Grantee will not take with or retain any documents or materials or copies thereof containing any Proprietary Information. For the purposes of this Covenant Agreement, "Proprietary Information" mean any trade secret or other confidential information concerning the business of the Company or any parent, subsidiary, affiliate or other party with whom the Company agrees to hold information of such party in confidence. Such Proprietary Information includes, but is not limited to, information concerning the Company's (and such other parties') business, finances, marketing, accounting, personnel, employment matters, customer information, proprietary knowledge, know-how, non-public intellectual property rights, processes, discoveries, ideas, compilations of data, pricing information, research and development plans, or any other nonpublic business information of the Company and/or its subsidiaries learned as a consequence of Grantee's employment with the Company. Grantee acknowledges that Proprietary Information, trade secrets and other items of confidential information, as they may exist from time to time, are valuable and unique assets of the Company, and that disclosure of any such information would cause substantial injury to the Company. Trade secrets and Proprietary Information shall cease to be trade secrets or Proprietary Information, as applicable, at such time as such information becomes public other than through disclosure, directly or indirectly, by Grantee in violation of this Covenant Agreement.

If Grantee is requested or required (by oral questions, interrogatories, requests for information or document subpoenas, civil investigative demands, or similar process) to disclose any Proprietary Information, Grantee shall, unless prohibited by law, promptly notify the Company of such request(s) so that the Company may seek an appropriate protective order. Notwithstanding the foregoing, nothing contained in this Agreement limits Grantee's ability from reporting possible violations of federal law or regulation to any federal, state or local governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, or any agency Inspector General ("Government Agencies"), or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Grantee further understands that this Covenant Agreement does not limit Grantee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Covenant Agreement does not limit Grantee's right to receive an award for information provided to any Government Agencies.

4. **Consideration and Acknowledgement.** Grantee hereby acknowledges and agrees that the benefits and compensation opportunities being made available to Grantee under the Award Agreement to which this Covenant Agreement is annexed are in addition to the benefits and compensation opportunities that otherwise are or would be available to Grantee in connection with Grantee's employment by the Company and that the grant of the Performance Award is expressly made contingent upon Grantee's agreements with the Company set forth herein. Grantee acknowledges that the scope and duration of the restrictions in this Covenant Agreement are necessary to be effective and are fair and reasonable in light of the value of the benefits and compensation opportunities being made available to Grantee under the Award Agreement. Grantee further acknowledges and agrees that as a result of the high-level executive and management positions that Grantee holds with the Company and the access to and extensive knowledge of the Company's Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Company's legitimate business interests.

5. **Remedies.** The Grantee acknowledges and agrees that a breach of any of the promises or agreements contained in this Covenant Agreement will result in immediate, irreparable and continuing damage to the Company for which there is no adequate remedy at law, and the Company will be entitled to injunctive relief, a decree for specific performance, and other relief as may be proper, including money damages. Further, if it is determined at any time that the Grantee has materially breached any

employment-related covenants, including the covenants set forth herein (if applicable to the Grantee), the Company will be entitled to (i) cause any unvested portion of the Performance Award to be immediately canceled without any payment of consideration by the Company and (ii) recover from the Grantee in its sole discretion some or all of the shares of common stock of the Company (or proceeds received by the Grantee from such shares of common stock) issued to the Grantee pursuant to the Award Agreement. The Grantee recognizes that if the Grantee breaches any such covenants, the losses to the Company may amount to the full value of any shares of common stock issued to the Grantee pursuant to the Awards Agreement.

6. Severability. The provisions of this Covenant Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

This Covenant Agreement is effective as of the acceptance by me of the award of a Performance Award under the Award Agreement and is not contingent on the vesting of the Performance Award.

GRANTEE

/s/

Name:

Date:

EXHIBIT 31.1

Certification

I, Zachary C. Parker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DLH Holdings Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2021

/s/ Zachary C. Parker
Zachary C. Parker
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification

I, Kathryn M. JohnBull, certify that:

1. I have reviewed this quarterly report on Form 10Q of DLH Holdings Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2021

/s/ Kathryn M. JohnBull
Kathryn M. JohnBull
Chief Financial Officer
(Principal Accounting Officer)

EXHIBIT 32

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of DLH Holdings Corp. (the "Company") on Form 10-Q for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, being, Zachary C. Parker, Chief Executive Officer, and Kathryn M. JohnBull, Chief Financial Officer and Principal Accounting Officer, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 2, 2021

/s/ ZACHARY C. PARKER	/s/ KATHRYN M. JOHNBULL
Zachary C. Parker	Kathryn M. JohnBull
Chief Executive Officer	*Chief Financial Officer*
(Principal Executive Officer)	*(Principal Accounting Officer)*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.