

Earnings Presentation



2017 Fiscal First Quarter

Ended December 31, 2016

February 8, 2017



Integrity & Trust



Performance Excellence



Inclusion & Diversity



Agility

Forward Looking Statements

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

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or DLH's future financial performance. Any statements that 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. For a discussion of such risks and uncertainties, 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, 2016. In light of the risks and uncertainties inherent in the forward-looking statements included herein, the inclusion of such statements should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved. The forward-looking statements contained in this presentation are made as of the date hereof and may become outdated over time. The Company does not assume any responsibility for updating any forward-looking statements.

Agenda



Q1 Overview &
Outlook

Zach Parker, CEO



Financial Highlights

Kathryn JohnBull, CFO



First Quarter Summary

- ◀ Revenue of \$26 million, up 58% year-over-year
 - Includes 5% organic growth *
- ◀ Gross margin up 470 basis points
- ◀ EPS of \$0.03, versus \$(0.01) in fiscal 2016
- ◀ Appointed Helene Fisher as President of DLH Danya
- ◀ Positive outlook for 2017 & beyond

*A non-GAAP measure calculated by comparing current year revenue less revenue from the acquisition to prior year revenue.

Market Outlook

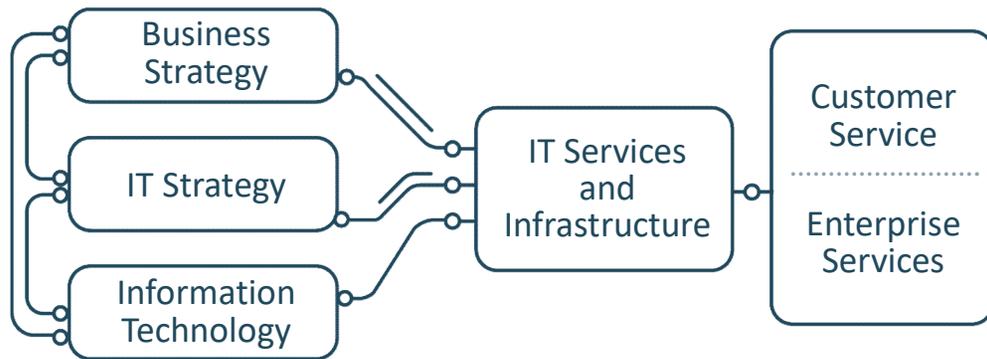
We currently assess the new Administration's impact as neutral to positive to our growth trajectory.....



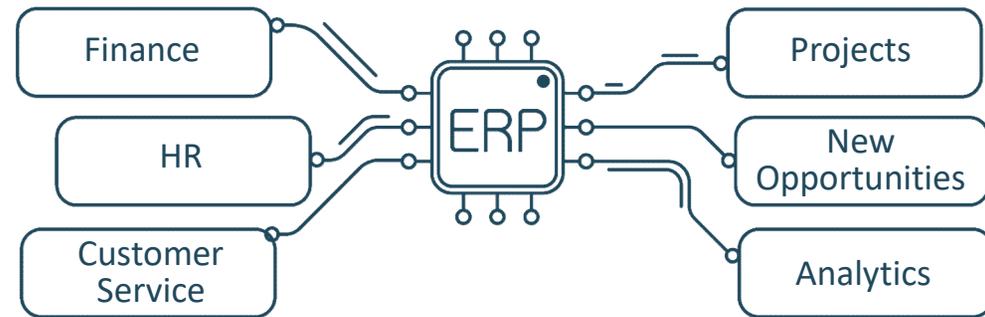
- ◀ Possible increase in outsourcing as internal hiring slows—freeze in place
- ◀ Congressional coordination required to change legislation
- ◀ Expected higher VA spending; potential active military healthcare increase
- ◀ Government orientation to best practices/efficacy measures for core services
- ◀ Unknown outcome for Affordable Care Act, but increased healthcare costs still anticipated

Focus for F2017: Further Integration and Value Creation

Connection between enterprise, IT Infrastructure, and Business Capabilities



Streamlined processes and information across the entire enterprise



Integration Benefits

Detailed execution work plans for each Value Driver Priority; included tasks, resources, and timelines

Created an environment that embraces our transformation and sustains the enhanced business practices

Cost Synergies

Insourced services, lower costs and improved operating efficiencies

Unified view of business operations and agility to respond to changing business needs rapidly

Revenue Synergies

Enhanced capabilities reduce dependence on teaming and increase Pwin (win probability)

Strengthened 18-24 month new business capture pipeline (breadth and depth)

Long Term Growth Strategy

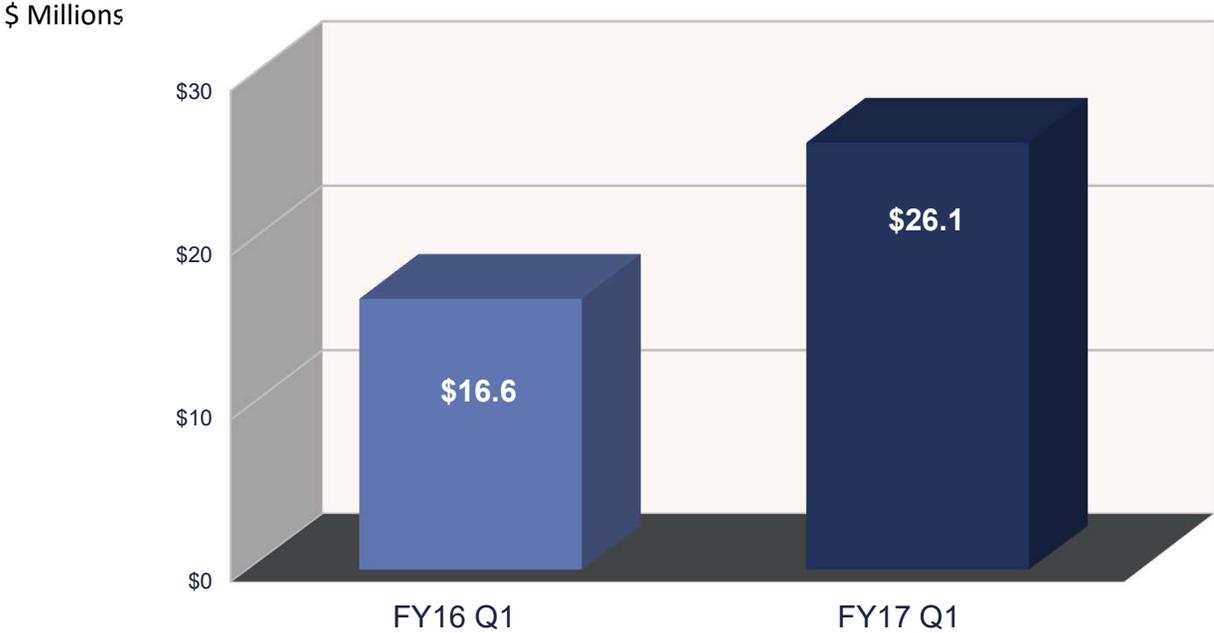
ORGANIC

- ◀ Continued focus on core outsourcing opportunities in health and human services agencies, both within current customer base and in adjacencies.

ACQUISITIVE

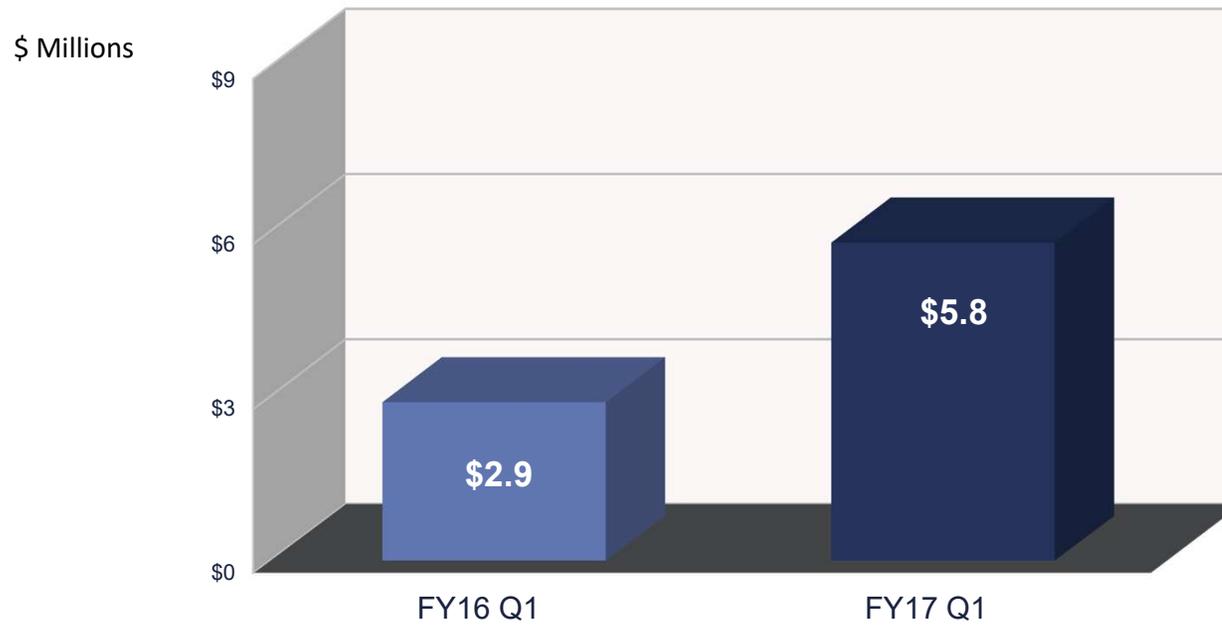
- ◀ Drive expansion via select bolt-on acquisitions that strengthen DLH's position and broaden its footprint across known market areas, particularly within Health IT market.
- ◀ Target key federal agencies where DLH has existing relationships – VA, DoD, HHS, CDC, etc. – for further penetration

Q1 Results: Revenue



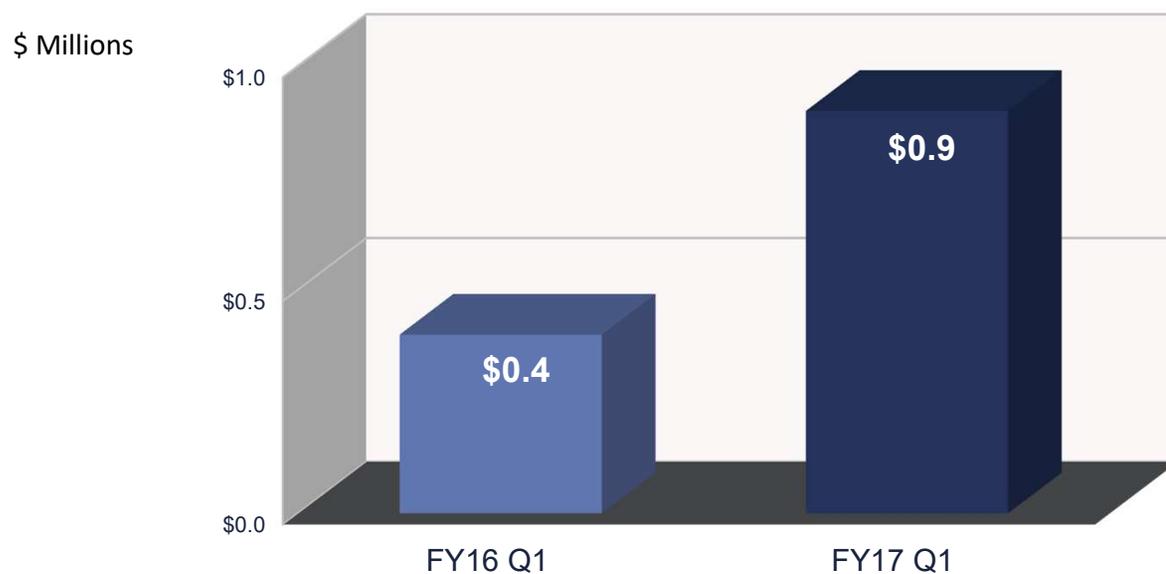
Reflects inclusion of Danya and 5% organic growth

Q1 Results: Gross Profit



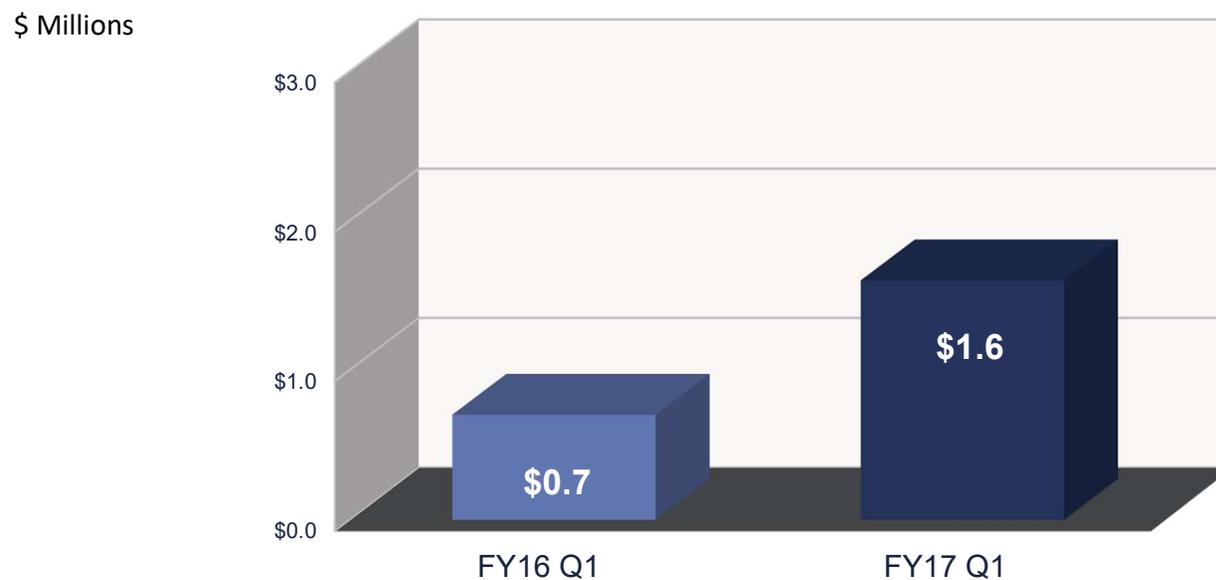
First quarter gross margin of 22.3% increased 470 basis points over fiscal 2016

Q1 Results: Operating Income



Higher gross profit was offset in part by additional D&A and G&A expenses tied to the addition of Danya, as well as approximately \$0.7 million incremental expenses to manage and grow DLH

Q1 Results: Adjusted EBITDA*



Adjusted EBITDA return on revenue was 6.0% compared to 4.4% for the prior year first quarter

*A reconciliation of Net Income to Adjusted EBITDA is provided in the back of this presentation.

Q1 Results: Balance Sheet Highlights

Key Cash Metrics

\$2.5M

Cash on Hand

\$10.0M

**Revolving
Credit Facility**

**Line of Credit Availability \$5.4M
No Borrowing at 12/31/16**

\$25.0M

Term Loan

\$22.5M Balance

Thank You / Q&A

- Appendix to Follow

FY2017 Q1 Financials

	(unaudited)	
	Three Months Ended	
	December 31,	
	<u>2016</u>	<u>2015</u>
Revenue	\$ 26,111	\$ 16,559
Direct expenses	20,300	13,642
Gross margin	5,811	2,917
General and administrative expenses	4,721	2,515
Depreciation and amortization	201	20
Income from operations	889	382
Other income (expense), net	(364)	(575)
Income before income taxes	525	(193)
Income tax expense (benefit), net	201	(77)
Net income	\$ 324	\$ (116)
Net income per share - basic	\$ 0.03	\$ (0.01)
Net income per share - diluted	\$ 0.03	\$ (0.01)
Weighted average common shares outstanding		
Basic	11,201	9,568
Diluted	12,690	9,568

Income from Operations per Share

(Amounts in Thousands)	Three Months Ended	
	December 31,	
	2016	2015
Income from operations	\$ 889	\$ 382
Other income (expense), net	(364)	(575)
Income before income taxes	525	(193)
Income tax expense (benefit), net	201	(77)
Net income	\$ 324	\$ (116)
Weighted-average outstanding shares fully diluted	12,690	9,568
Net income per fully diluted share	\$ 0.03	\$ (0.01)
Income tax expense (benefit), net	0.02	(0.01)
Income before taxes	\$ 0.04	\$ (0.02)
Other income (expense), net	(0.03)	(0.06)
Income from operations per fully diluted share	\$ 0.07	\$ 0.04

The Company believes that providing Income from Operations per share will be useful to investors in comparing year over year operating results for 2017 compared to 2016. Income from Operations per share excludes the impact of other income (expense) and income tax benefits, which vary, sometimes significantly, from 2016 to 2017, independent of operating results. By providing this non-GAAP measure, we believe that an investor can more easily compare year over year performance.

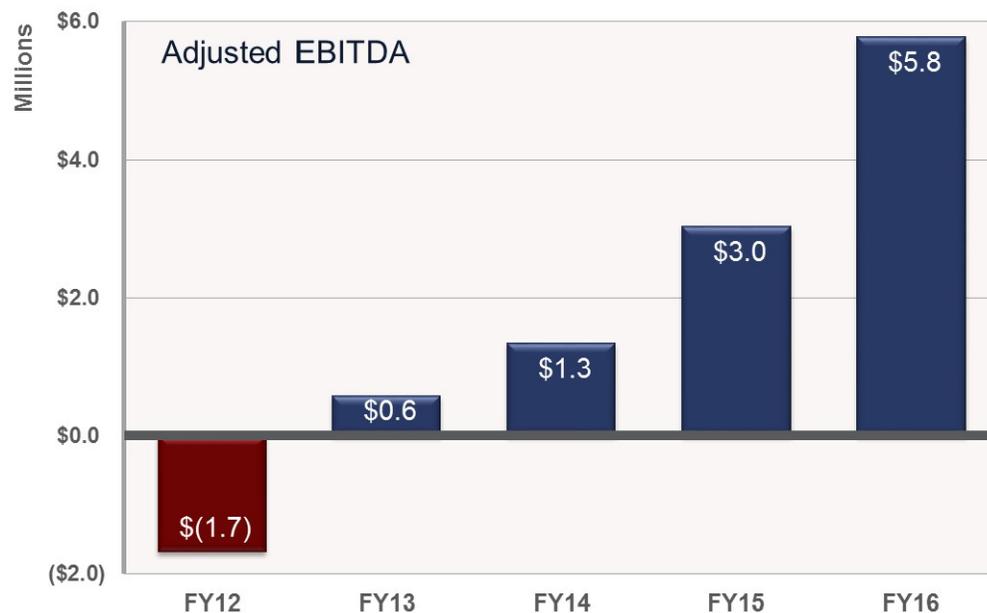
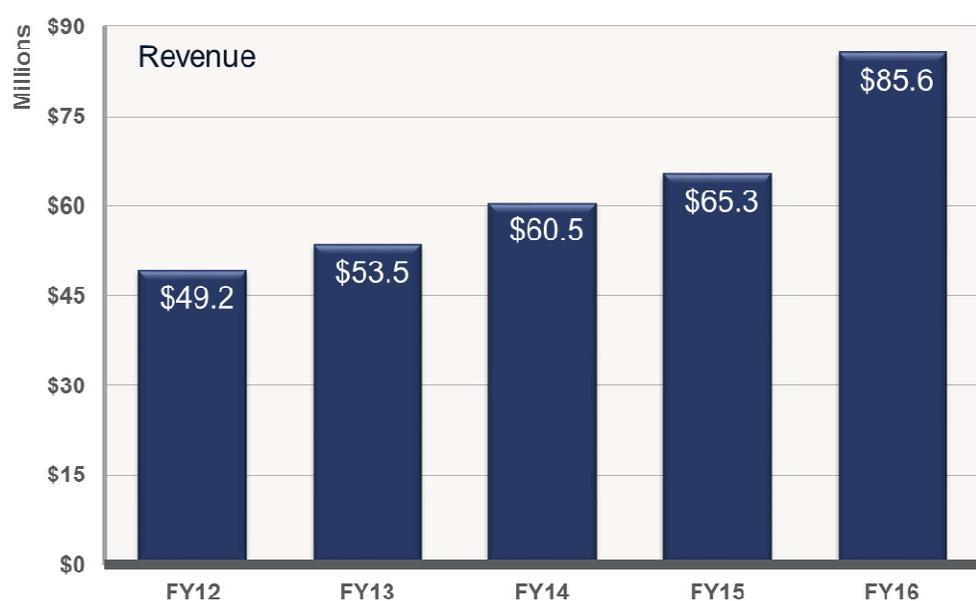
Adjusted EBITDA Reconciliation

(\$ in thousands, except per share amounts)	Three Months Ended		
	December 31,		
	2016	2015	Change
Net income	\$ 324	\$ (116)	\$ 440
(i) Interest and other (income) expense (net):			
(i)(a) Interest and other expense	364	—	364
(i)(b) Acquisition expenses	—	575	(575)
(ii) Provision (benefit) for taxes	201	(77)	278
(iii) Depreciation and amortization	201	20	181
(iv) G&A expenses - equity grants	485	332	153
Adjusted EBITDA	\$ 1,575	\$ 734	\$ 841
Weighted-average outstanding shares fully diluted	12,690	9,568	3,122

This document contains non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results, and providing meaningful period-to-period comparisons. These measures should be used in conjunction with, rather than instead of, their comparable GAAP measures. A reconciliation of non-GAAP measures to the comparable GAAP measures presented in this document is contained at the end of this presentation and in the Company's most recent quarterly earnings press release.

For an expanded discussion of our use of this non-GAAP measure, please refer to the Earnings Release dated February 8, 2017.

Financial Trends: Revenue & Adjusted EBITDA



A reconciliation of net income to adjusted EBITDA is provided in the Form 10-K for each of the periods indicated above. Forms 10-K are available on our website at www.dlhcorp.com.