



2017 Fiscal Second Quarter

Ended March 31, 2017

May 10, 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 The forward-looking statements contained in this presentation are made as of the date hereof and may become outdated over time.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



Q2 Overview &
Outlook

Zach Parker, CEO



Financial Highlights

Kathryn JohnBull, CFO



Second Quarter Summary

- ◀ Revenue of \$29.9 million, up 77% year-over-year
 - Includes 7% organic growth*
- ◀ Gross margin up 240 basis points
- ◀ EPS of \$0.08, versus \$0.03 in fiscal 2016
- ◀ New DLH Danya President Helene Fisher already having positive impact
- ◀ Active RFP pipeline reflects government demand and DLH positioning
- ◀ Continuing to pursue both organic and acquisitive growth

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

Strong Forward-Looking Indicators

We still believe current Administration will be neutral-to-positive for DLH ...



- ◀ Federal budget aligns well with anchor programs and targeted markets
- ◀ NDAA and early FY18 federal priorities track well with our long-range strategic plan
- ◀ DLH bidding on more complex, value-added opportunities across agencies served
- ◀ Recently awarded Navy substance abuse re-compete contract and two HHS SAMHSA IDIQ contracts

M&A Environment

Numerous opportunities for strategic bolt-on acquisitions

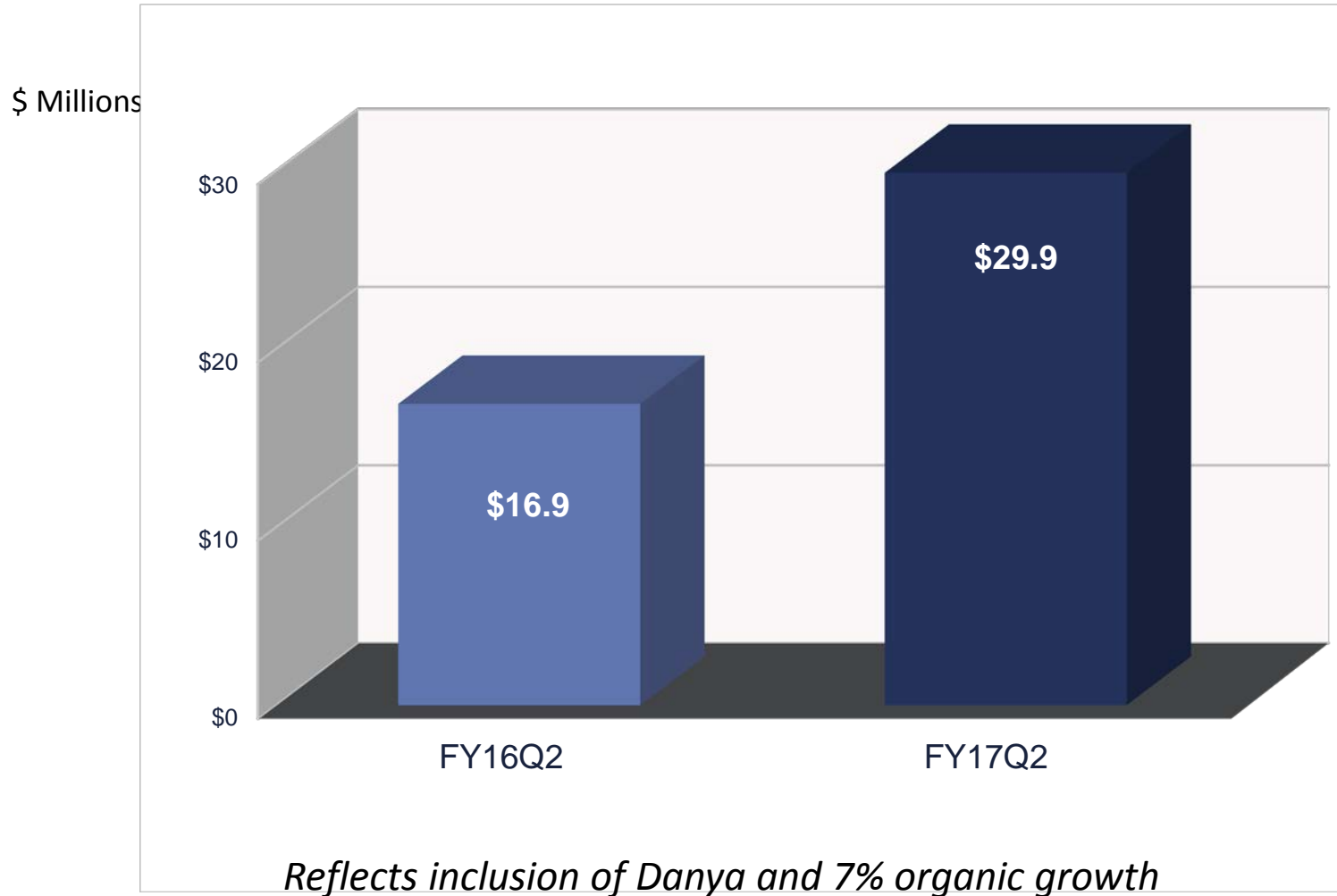


- ◀ Stronger balance sheet and cash flow pave way for potential transactions
- ◀ Market ripe with small firms within the healthcare space that are looking to expand and team with companies like DLH
- ◀ Will continue to target key federal agencies where we have existing relationships – VA, DoD, HHS, CDC, etc.
- ◀ Any possible acquisition must meet internal growth targets, have strong customer ties and meet performance benchmarks

Executing on Strategy

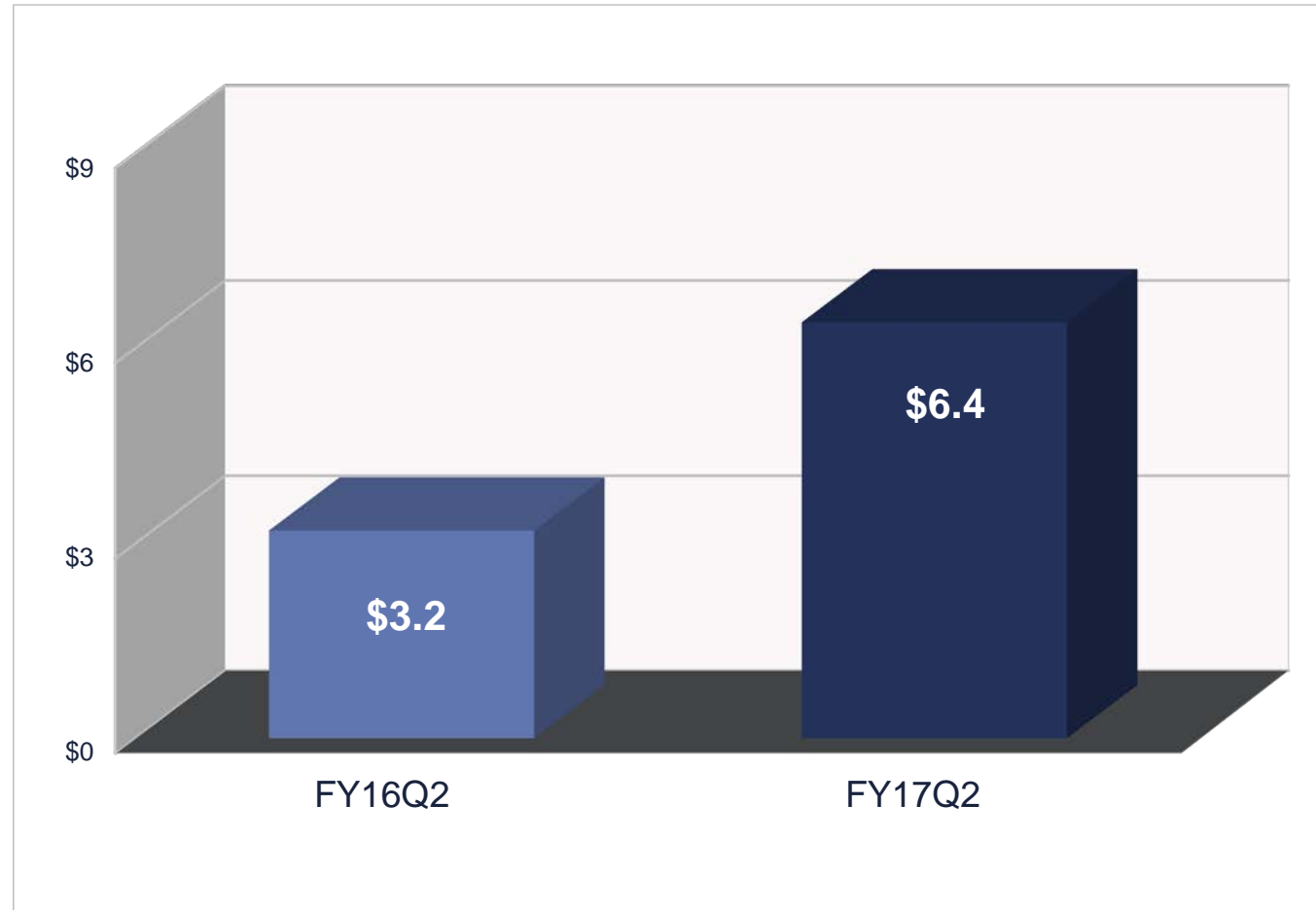
- ◀ Operational Excellence with ISO 9001:2015
- ◀ Higher value opportunities driving new business pipeline
- ◀ Sustainable margin expansion being realized
- ◀ Successfully completed key integration milestones

Q2 Results: Revenue Growth Continues



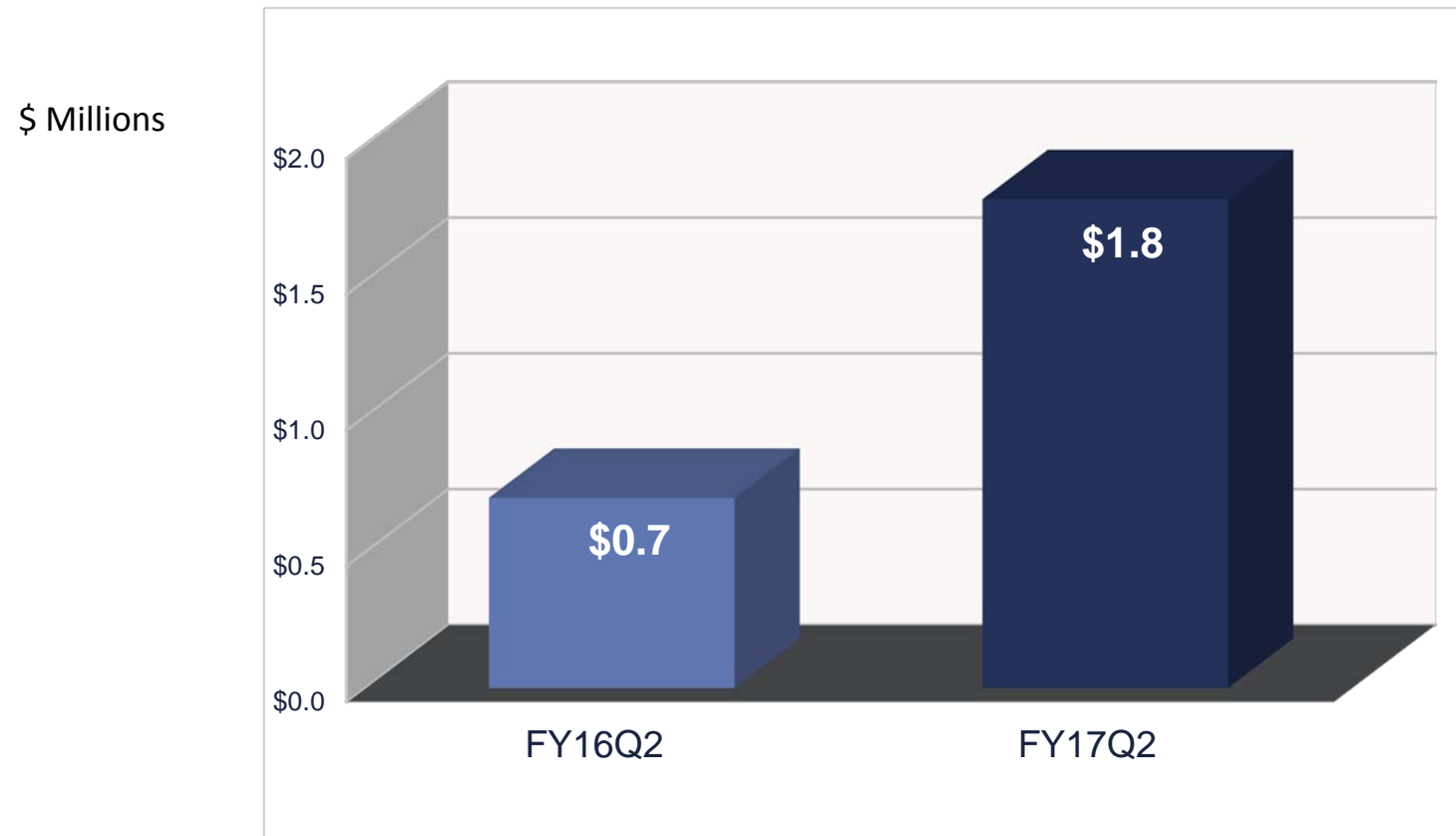
Q2 Results: Strong Gross Profit

\$ Millions



Second quarter gross margin of 21.4% increased 240 basis points over fiscal 2016

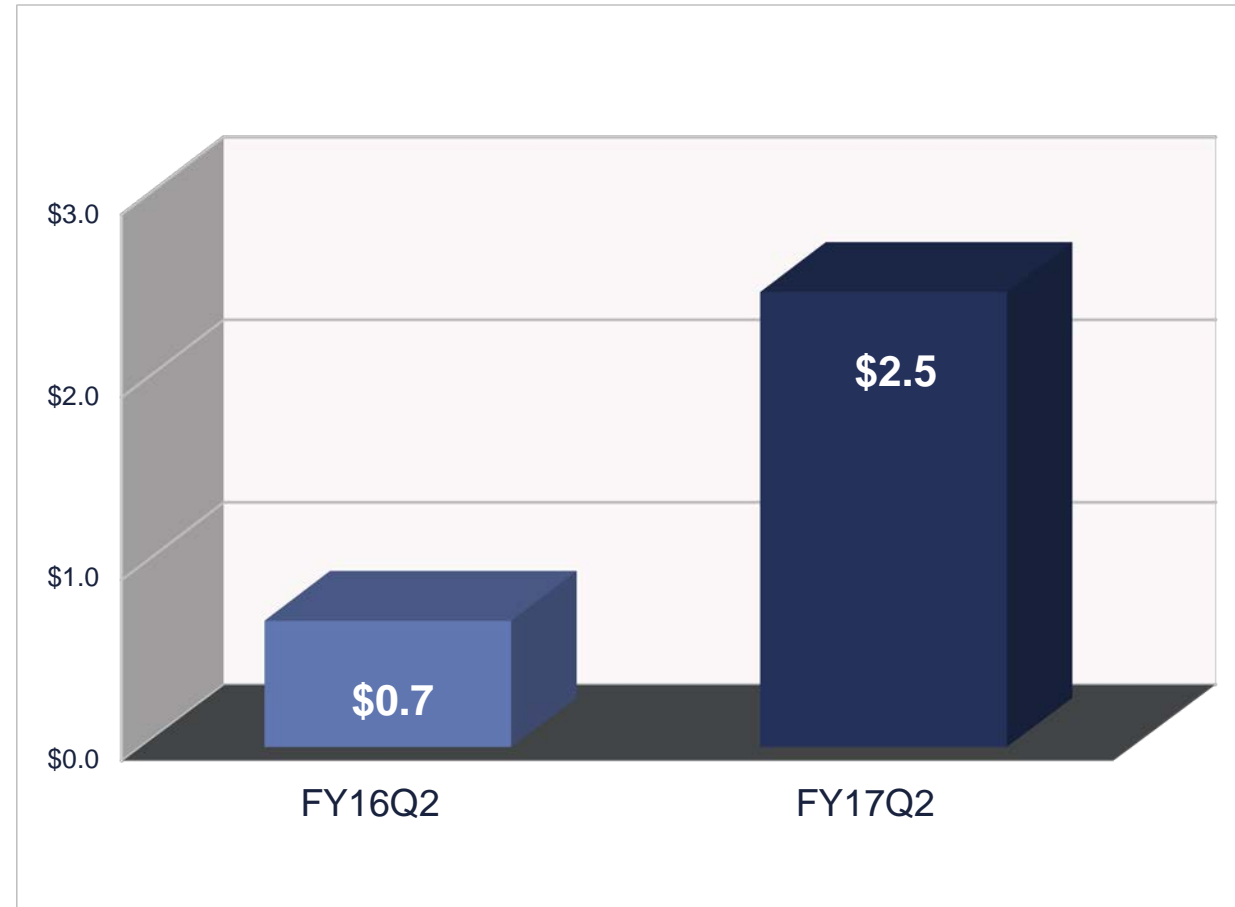
Q2 Results: Operating Income Up Significantly



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

Q2 Results: Adjusted EBITDA* Reflects Strength of Ops.

\$ Millions



Adjusted EBITDA return on revenue was 8.2% compared to 4.3% for the prior year second quarter

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

Q2 Results: Balance Sheet Highlights

Key Cash Metrics

\$3.1M

Cash on Hand

\$10.0M

**Revolving
Credit Facility**

**Line of Credit Availability \$5.4M
No Borrowing at 3/31/17**

\$25.0M

Term Loan

\$21.6M Balance

Thank You / Q&A

- Appendix to Follow

FY2017 Q2 Financials

	(unaudited) Three Months Ended March 31,		(unaudited) Six Months Ended March 31,	
	2017	2016	2017	2016
Revenue	\$ 29,905	\$ 16,934	\$ 56,016	\$ 33,493
Direct expenses	23,504	13,710	43,804	27,352
Gross margin	6,401	3,224	12,212	6,141
General and administrative expenses	4,008	2,513	8,729	5,028
Depreciation and amortization	554	22	755	42
Income from operations	1,839	689	2,728	1,071
Other income (expense), net	(255)	(127)	(619)	(702)
Income before income taxes	1,584	562	2,109	369
Income tax expense (benefit), net	605	225	806	148
Net income	\$ 979	\$ 337	\$ 1,303	\$ 221
Net income per share - basic	\$ 0.09	\$ 0.04	\$ 0.12	\$ 0.02
Net income per share - diluted	\$ 0.08	\$ 0.03	\$ 0.10	\$ 0.02
Weighted average common shares outstanding				
Basic	11,249	9,717	11,225	9,642
Diluted	12,745	10,666	12,713	10,540

Income from Operations per Share

(Amounts in Thousands)

	Three Months Ended			Six Months Ended		
	March 31,			March 31,		
	2017	2016	Change	2017	2016	Change
Income from operations	\$ 1,839	\$ 689	\$ 1,150	\$ 2,728	\$ 1,071	\$ 1,657
Other income (expense), net	(255)	(127)	(128)	(619)	(702)	83
Income before income taxes	1,584	562	1,022	2,109	369	1,740
Income tax expense (benefit), net	605	225	380	806	148	658
Net income	\$ 979	\$ 337	\$ 642	\$ 1,303	\$ 221	\$ 1,082
Net income per fully diluted	\$ 0.08	\$ 0.03	\$ 0.05	\$ 0.10	\$ 0.02	\$ 0.08
Income tax expense (benefit), net	\$ 0.04	\$ 0.02	\$ 0.02	\$ 0.06	\$ 0.01	\$ 0.05
Income before taxes	\$ 0.12	\$ 0.05	\$ 0.07	\$ 0.16	\$ 0.03	\$ 0.13
Other income (expense), net	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.05	\$ 0.07	\$ (0.02)
Income from operations per fully diluted share	\$ 0.14	\$ 0.06	\$ 0.08	\$ 0.21	\$ 0.10	\$ 0.11

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

	Three Months Ended March 31,			Six Months Ended March 31,		
	2017	2016	Change	2017	2016	Change
Net income	\$ 979	\$ 337	\$ 642	\$ 1,303	\$ 221	\$ 1,082
(i) Interest and other (income) expense (net):						
(i)(a) Interest and other expense	255	—	255	619	—	619
(i)(b) Acquisition expenses	—	127	(127)	—	702	(702)
(ii) Provision (benefit) for taxes	605	225	380	806	148	658
(iii) Depreciation and amortization	554	22	532	755	42	713
(iv) G&A expenses - equity grants	64	10	54	549	342	207
Adjusted EBITDA	\$ 2,457	\$ 721	\$ 1,736	\$ 4,032	\$ 1,455	\$ 2,577

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 May 10, 2017.