

EARNINGS PRESENTATION

FY 2016 Q1 Results

February 10, 2016



Forward-Looking Statement

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

This press release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or DLH's future financial performance. Any statements that 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, 2015. 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 The forward-looking statements contained in this presentation are made as of the date hereof and may become outdated over time.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.

Participants

Zachary Parker

President & Chief Executive Officer

Kathryn JohnBull

Chief Financial Officer

Casey Stegman, Stonegate Capital Partners

Investor Relations Advisor

The logo for DLH, featuring a stylized triangle with a red and blue gradient to the left of the letters 'DLH' in a bold, white, sans-serif font. Below the logo is a faint, semi-transparent reflection.

DLH Business & Financial Overview

FY2016 Q1 Executive Summary

- Strong margin and adjusted EBITDA improvement over prior year first quarter
- Achieved 5.6% revenue growth over prior year
- Market is stable in our core business base
- Strong backlog of long term federal contracts with a history of successful recompetes
- DLH proprietary technology-enabled performance differentiators provide our customers with high quality and cost effective solutions

FY2016 DLH Competitive Position

- DLH is well positioned to compete in the growing federal healthcare market
- Trends show bipartisan support for increased funding of veterans and service members healthcare programs
- Large addressable adjacent federal markets
- Continued focus on executing within our core business and growing the Company organically
- Pursuing opportunities to accelerate our growth through strategic acquisitions

FY2016 Q1 Financial Summary

- Generated \$16.6M in revenue; grew 5.6% over prior year first quarter
- Realized \$2.9M of gross margin; improved 15.2% over prior year first quarter
- Earned \$0.4M operating income; increased \$0.1M over prior year first quarter
- Attained \$0.7M adjusted EBITDA; increased 31.8% over prior year first quarter
- Adjusted EBITDA rate of return on revenue was 4.4% compared to 3.5% for the prior year first quarter

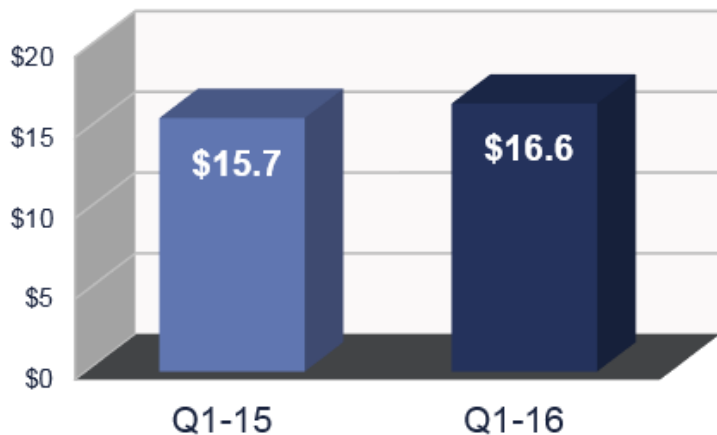
FY2016 Q1 Financial Summary

- Our business base is solid and performing well
- DLH continued to generate strong operating cash flow
 - \$6.0 million net cash position at first quarter ended December 31, 2015
- We began to leverage this strong cash position, consistent with our strategic growth plan that we previously reported
 - Expended \$0.6 million non-operational expense related to potential business acquisition activities
 - This investment impacted our income for the first quarter of fiscal 2016
 - We expect to maximize our investment by expanding upon our capabilities in the near and longer term

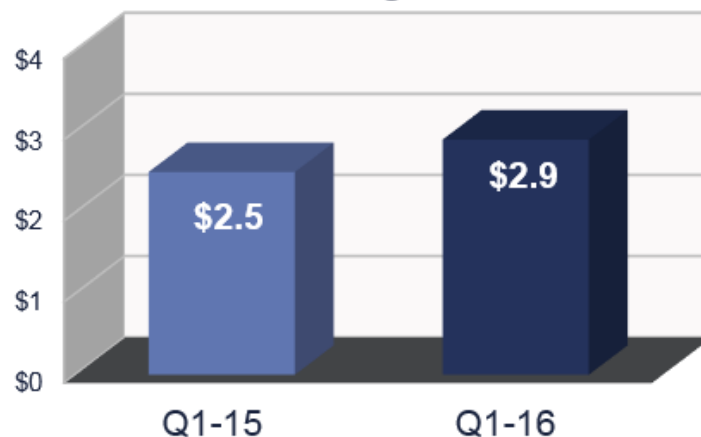
FY2016 Q1 Revenue and Margins YoY

■ 2015 ■ 2016 (\$ in Millions)

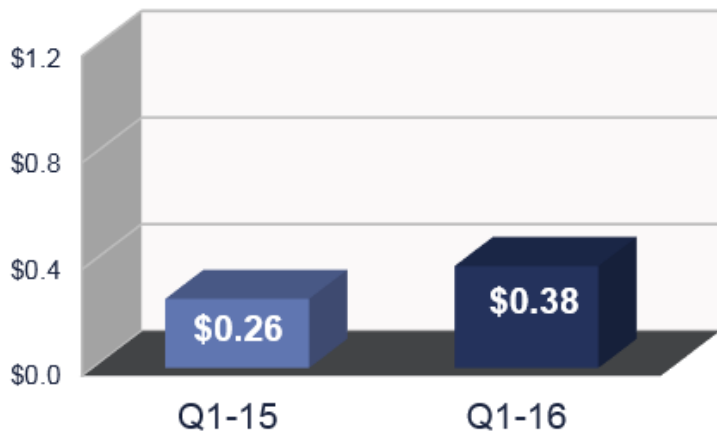
Revenue + 5.6%



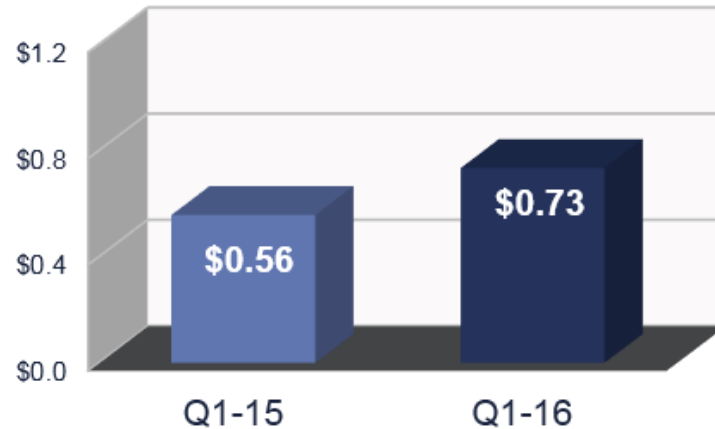
Gross Margin + 15.2%



Operating Income + 47.5%

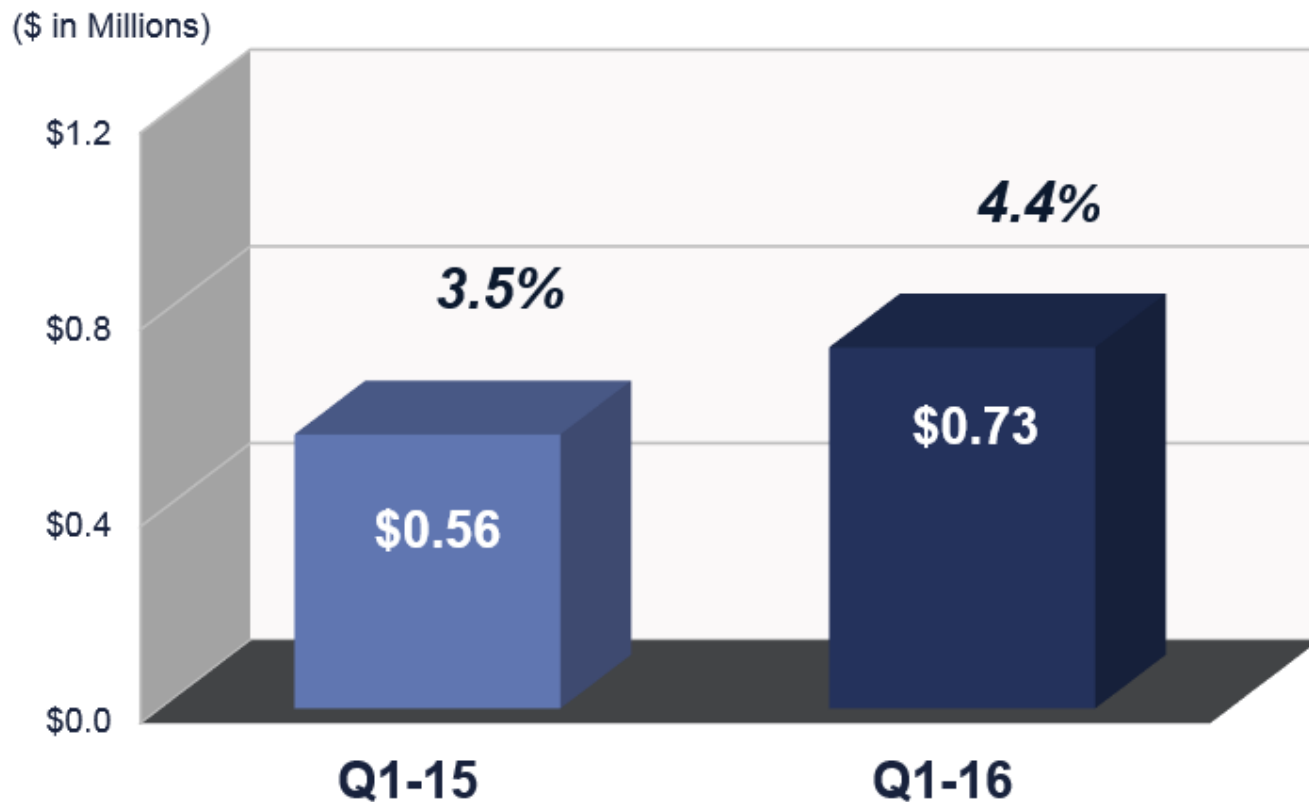


Adjusted EBITDA + 31.8%



Q1 Adjusted EBITDA with % Return on Revenue

Key valuation measurement used by management, shareholders and investors



A reconciliation of net income to adjusted EBITDA is provided in this presentation

FY2016 Q1 Liquidity Position at 12/31/15

Solid with Consistent Upward Trend

\$6.0M

Cash on Hand

\$6.0M

Credit Facility

Asset Secured;
No borrowing

\$4.7M

Working Capital

FY2016 Q1 Financial Highlights

(\$ in thousands, except per share amounts)

	Three Months	
	<u>FY16 Q1</u>	<u>FY15-Q1</u>
Revenues	\$ 16,559	\$ 15,682
Gross margin	\$ 2,917	\$ 2,533
Gross margin %	17.6%	16.2%
Income from operations	\$ 382	\$ 259
Other income (expense), net	\$ (575)	\$ (36)
Income tax (benefit) expense	\$ (77)	89
Net income (loss)	\$ (116)	\$ 134
Net income (loss) per share (EPS) basic and diluted	(\$0.01)	\$0.01
<u>Other Data (1)</u>		
Adjusted EBITDA	\$ 734	\$ 557
Diluted EPS on Adjusted EBITDA	\$0.07	\$0.05

(1) A reconciliation of GAAP net income and diluted EPS to non-GAAP adjusted EBITDA and EPS is provided on the next slide

FY2016 Q1 Adjusted EBITDA

Reconciliation of GAAP net income and EPS to adjusted EBITDA and EPS on adjusted EBITDA

(\$ in thousands, except per share amounts)

Reconciliation of net income (loss) to Adjusted EBITDA

Net income (loss)

(i) Interest and other (income) expenses (net):

(i)(a) Interest and other expense

(i)(b) Acquisition expenses

(ii) Provision for (benefit from) taxes

(iii) Depreciation and amortization

(iv) G&A expenses - equity grants

Adjusted EBITDA

Weighted average outstanding shares fully diluted

Fully diluted EPS on GAAP net income (loss)

Adjustments to derive adjusted EBITDA EPS:

(i) Interest and other (income) expenses (net):

(i)(a) Interest and other expense

(i)(b) Acquisition expenses

(ii) Provision for (benefit from) taxes

(iii) Depreciation and amortization

(iv) G&A expenses - equity grants

Diluted EPS on Adjusted EBITDA

Three months ended

12/31/15 12/31/14

\$ (116) \$ 134

- 37

575 -

(77) 89

20 23

332 274

\$ 734 \$ 557

10,082 10,048

\$ (0.01) \$ 0.01

\$ - \$ -

\$ 0.06 \$ -

\$ (0.01) \$ 0.01

\$ - \$ -

\$ 0.03 \$ 0.03

\$ 0.07 \$ 0.05

For an expanded discussion of our use of this non-GAAP measure, please refer to the Management's Discussion and Analysis section of the Company's most recent periodic report filed with the SEC, Form 10Q for the quarter ended December 31, 2015.

Income Statement Trends – Prior 3 Years

(Amounts in Thousands)	Year Ended		
	30-Sep-13	30-Sep-14	30-Sep-15
Revenue	\$ 53,506	\$ 60,493	\$ 65,346
Cost of sales	46,007	51,534	53,658
Gross Margin	7,499	8,959	11,688
General and administrative expense	7,130	8,089	9,137
Depreciation and amortization	121	106	55
Income from operations	248	764	2,496
Other income & (expense), net	(407) (a)	(4)	744 (b)
Income/(loss) before taxes	\$ (159)	\$ 760	\$ 3,240
Income tax expense (benefit)	0	(4,597) (c)	(5,488) (c)
Net income/(loss)	\$ (159)	\$ 5,357	\$ 8,728
Adjusted EBITDA (d)	\$ 575	\$ 1,342	\$ 3,030

(a) Interest expense; amortization of financing costs and change in fair value related to fiscal 2012 equity financing

(b) \$1.5M closure of payroll tax issue, partially offset by (\$0.6M), net, non-cash settlement of retroactive payment claim

(c) Income tax benefit for release of valuation allowance

(d) Non-GAAP measure, refer to MD&A section of Company's corresponding annual report Form 10-K filed with the SEC

Balance Sheet Trends – Prior 3 Years

(Amounts in Thousands)	<u>30-Sep-13</u>	<u>30-Sep-14</u>	<u>30-Sep-15</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 3,408	\$ 3,908	\$ 5,558
Accounts receivable, net	11,943	12,372	3,286 *
Deferred taxes, net		84	982
Other current assets	599	510	429
Total current assets	15,950	16,874	10,255
Equipment & improvements, net	156	63	336
Deferred tax asset		4,513	9,325
Goodwill	8,595	8,595	8,595
Other long term assets	1,057	27	113
Total assets	\$ 25,758	\$ 30,072	\$ 28,624
<u>Liabilities and Shareholders Equity</u>			
Debt Obligations	\$ 1,313		
Derivative financial instruments, at fair value	160		
Accrued payroll	11,138	11,465	2,795 *
Accounts payable, accrued expenses and other current liabilities	5,343	4,746	2,851
Total current liabilities	17,954	16,211	5,646
Long term liabilities	20	15	109
Total liabilities	17,974	16,226	5,755
Shareholders equity	7,784	13,846	22,869
Total liabilities and shareholders equity	\$ 25,758	\$ 30,072	\$ 28,624
Working Capital (Deficit)/Surplus	(2,004)	663	4,609

* Settlement of retroactive payment claim, net of (\$0.6) million pre-tax



Question & Answer Session



Please contact investorrelations@dlhcorp.com or visit <http://www.dlhcorp.com/investor-relations.aspx> with any questions subsequent to the live call.