

DLH Holdings Corp.
Acquisition of
Irving Burton
Associates

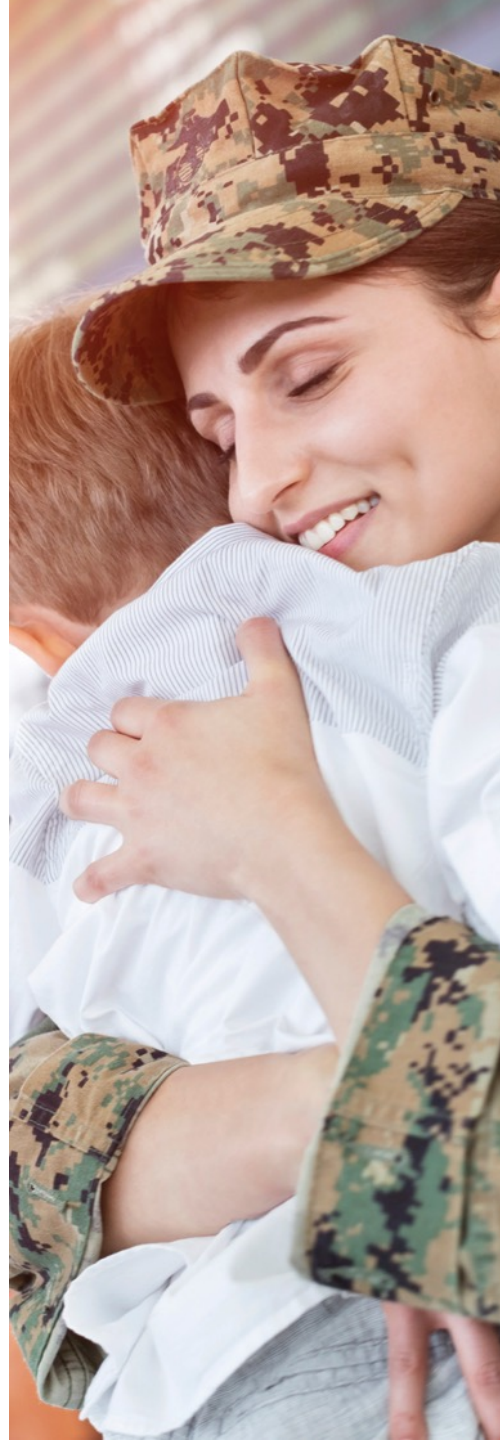


OCTOBER 7, 2020



Your Mission Is Our Passion

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Forward Looking Statement

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 refer to expectations, projections or other characterizations of future events or circumstances or that are not statements of historical fact (including without limitation statements to the effect that the Company or its management "believes", "expects", "anticipates", "plans", "intends" and similar expressions) should be considered forward looking statements that involve risks and uncertainties which could cause actual events or DLH's actual results to differ materially from those indicated by the forward-looking statements. Forward-looking statements in this release include, among others, statements regarding, estimates of future revenues, operating income, earnings, 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 release 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 the IBA acquisition; the challenges of managing larger and more widespread operations resulting from the acquisition; the inability to retain IBA employees and customers; the risks and uncertainties associated with client interest and purchases of new services; 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 IBA and any 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, 2019, as well as subsequent reports filed thereafter. The forward-looking statements contained herein are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry and business. 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, except as may be required by law.

DLH Continues to Build a Healthcare IT Enterprise

What We Are Presenting Today

DLH Holdings has acquired privately-held *Irving Burton Associates (IBA)*, an acquisition that brings together two highly-complementary healthcare technology companies



Strengthens DLH in DoD Healthcare Technology

Enhances technology-enabled healthcare applications across several military agencies

Significantly expands presence in key DoD agencies including Defense Health Agency (“DHA”) and Medical Research and Development Command (“MRDC”)

Key Financial Terms

\$32 million purchase price funded 100% via bank debt (existing facilities)

\$26.5 million purchase price net of transaction-related tax benefit

Expected to be immediately accretive

Valuation Rationale

Purchase price represents a multiple of ~9.3x EBITDA;

7.7x of EBITDA net of tax benefit

Industry metrics indicate 9 -11x multiples for Health and Data Analytics Government Services

Strategic Rationale

Highly complementary business with common core capabilities for complex, nationally dispersed programs, operational synergies, and new business opportunities



Accelerates long-term strategy of growing DLH presence in core military healthcare market with high revenue visibility and \$143 million in acquired contract backlog



Enhances and broadens telehealth offering through deep customer relationships and leading capabilities, competencies and practices

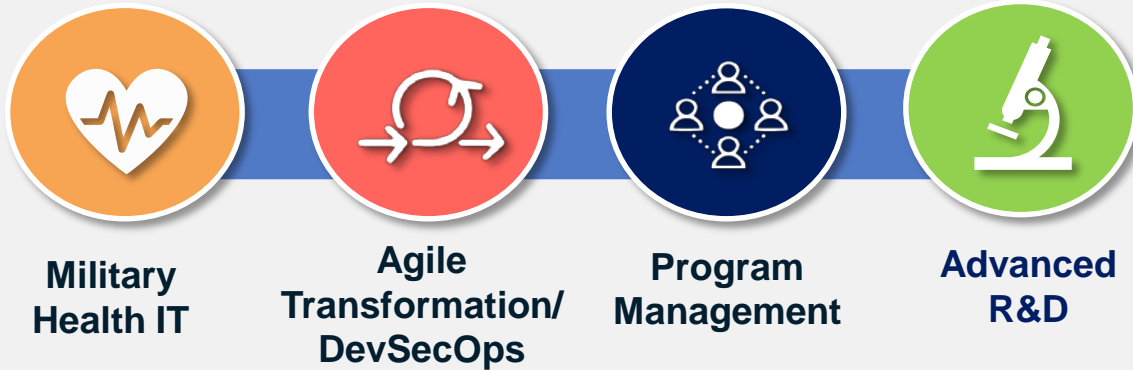


Elevates customer presence by expanding security clearance capability through IBA's cleared workforce and top-secret facility clearance

Additional Capabilities and Customers



Premier professional and technology services consulting firm



Specialized Capabilities & Competencies:

- Artificial Intelligence/Machine Learning
- IT and program management advice
- Application modernization
- Digital transformation
- Robotics

Long-standing customer relationships, strong reputation and deep domain expertise in military healthcare and NextGen technology



28+ years



15+ years



Joint Program Committee

8+ years

Military Health IT Systems expertise includes:

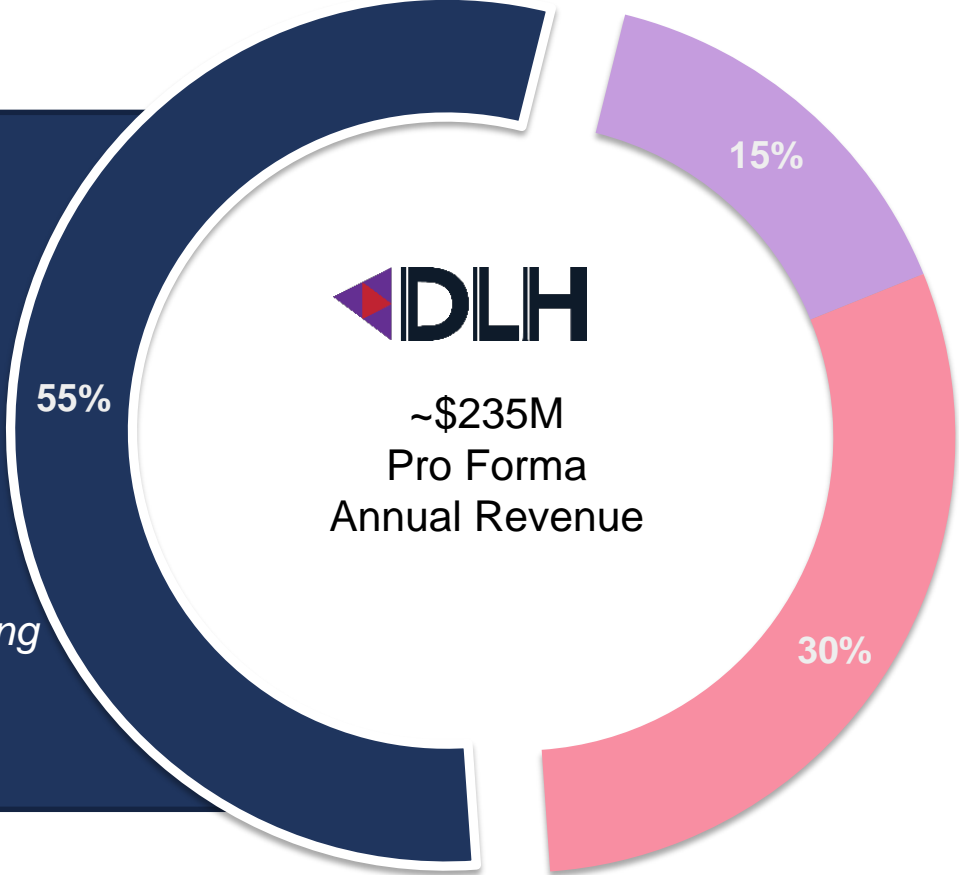
- Joint Operational Medical Information Systems (JOMIS)
- Medical Communications for Combat Casualty Care (MC4)
- MHS/DoD Electronic Health Record (EHR)
- Medical Scenario Modeling & Simulation for Exercises
- Telehealth Standards of Care Development

IBA Expands Defense Health Presence

DOD & Veteran Health Services Market

IBA broadens enterprise capabilities for military health customers

- Telehealth
- Health Informatics
- Cybersecurity
- Agile/DevOps
- Machine Learning
- Advanced R&D



Human Services & Solutions Market

Public Health & Life Sciences Market



IBA Increases Addressable Military Healthcare Market for DLH

- Strategically positioned to address \$2.5B Military Healthcare market currently growing at ~9% annually
- Leading provider of mission critical advice and technology solutions for military health clients
 - Defense Health Agency
 - U.S. Army Medical Research and Development Command
- Poised to support increased demand and focus on telehealth capabilities sparked by COVID-19
- Electronic health record for active duty and beneficiaries
- Expands DLH's end-to-end capabilities, from advanced R&D of NextGen technology to program management & mission support



Proforma Considerations

- DLH 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 and (iii) depreciation and amortization.
- Due to changes in contract type and structure during key contracts' recomplete, revenue and margins reported in prior fiscal periods are higher than expected in current and future fiscal periods.
- DLH estimates that IBA will contribute approximately \$25 million, on an annualized basis, to revenue of DLH going forward, with similar operating margins as during the proforma period.



The following unaudited pro forma financial information combines the historical financial information of DLH and IBA and may not be indicative of the historical results that would have been achieved had the companies been combined during the periods presented or of the future results that the combined companies will experience.

Transaction Model – Twelve Months ended June 30, 2020

(in millions)

	<u>DLH</u>	<u>IBA</u>	<u>Adj.</u>	<u>Proforma</u>	
Revenue	\$ 212.7	\$ 24.5	-	\$ 237.2	• Transaction accretive to net income and diluted earnings per share (EPS)
Operating Income	14.2	3.1	(1.5)	15.8	
% Margin	6.7%	12.7%		6.7%	
Interest (Expense)/Income	<u>(3.9)</u>	<u>-</u>	(1.5)	<u>(5.4)</u>	• Reduction to operating income due to amortization expense of acquired intangible assets
Pretax Income	10.3	3.1	(3.0)	10.4	
Tax expense	<u>3.0</u>	<u>0.9</u>	(0.9)	<u>3.0</u>	
Net Income	<u>\$ 7.3</u>	<u>\$ 2.2</u>	\$ (2.1)	<u>\$ 7.4</u>	• Interest expense increase due to additional term borrowing to finance transaction
EBITDA	\$ 21.4	\$ 3.1	-	\$ 24.5	
% Margin	10.1%	12.7%		10.3%	
Diluted Shares Outstanding	13.1			13.1	
EPS	\$ 0.56			\$ 0.57	
Accretion \$				\$ 0.01	
Accretion %				1.8%	

Notes: "% Margin" indicates line item immediately preceding stated as a percent of revenue
See reconciliation of non-GAAP financials measures on page 14 of this presentation



Use of Existing Credit Facilities

- The acquisition was fully funded with senior debt by reloading the Company's existing secured credit facility
 - Term loan and cash reserves were used for the transaction; no revolver borrowings were needed to complete the transaction
- Availability driven by cash generation and pre-paydown of debt in the 4th quarter
- Strong cash generation expected to continue through integration of IBA onto DLH financial platform

<i>(in millions)</i>	S3 Acq. Jun 7 2019	Fiscal 2019 Q4	Fiscal 2020 Q3	Fiscal 2020 Q4
Term debt (legacy)	\$ 70.0	\$ 56.0	\$ 44.5	\$ 37.0
Term debt (new)	-	-	-	33.0
Total term debt	70.0	56.0	44.5	70.0
(-) Cash & cash equivalents	(1.9)	(1.8)	(0.7)	(1.2)
Net debt	<u>\$ 68.1</u>	<u>\$ 54.2</u>	<u>\$ 43.8</u>	<u>\$ 68.8</u>

Net Debt is a non-GAAP metric used by investors and lenders and management believes it provides relevant and useful information to investors and other users of our financial data. Net Debt is calculated by subtracting cash and cash equivalents from the sum of current and long-term debt

Financial Benefits of the Acquisition

Highly visible revenue

- Acquired company has approximately \$143 million of total backlog
- Contracts with key customers early in lifecycle with potential for service expansion

Expected strong free cash flow and debt service

- Free cash flow is further supported by tax-deductible purchase price
- Capital requirements of the business are minimal

Substantial existing contract base

- The acquired company's contract portfolio supports 97% of its expected FY21 revenue

Significant potential for combined organic growth

- Revenue growth is driven primarily by continued execution against recurring customer requirements, cross-selling opportunities, and unsaturated customer bases

Appendix:

Non-GAAP Reconciliations

This document contains non-GAAP financial information. Management uses this information in its internal analysis of results and believes 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 is presented in this document, and the definitions of the non-GAAP measures we use are contained in the Company's most recent earnings press release, which is available on the investor relations section of our web site at www.dlhcorp.com.

Reconciliation of net income to EBITDA

Reconciliation of proforma net income to proforma EBITDA for the twelve months end June 30, 2020

<i>(in millions)</i>	<u>DLH</u>	<u>IBA</u>	<u>Adj.</u>	<u>Proforma</u>
Net Income	\$ 7.3	\$ 2.2	\$ (2.1)	\$ 7.4
Interest expense (income)	3.9	-	1.5	5.4
Provision for taxes	3.0	0.9	(0.9)	3.0
Depreciation and amortization	<u>7.2</u>	<u>-</u>	<u>1.5</u>	<u>8.7</u>
EBITDA	<u><u>\$ 21.4</u></u>	<u><u>\$ 3.1</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24.5</u></u>

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