# FY2025 Second Quarter Earnings

Three Months Ended
3.31.25

May 8, 2025

# Call Participants

## Zach Parker

President and Chief Executive Officer

## Kathryn JohnBull

Chief Financial Officer

# Forward-Looking Statements

## “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 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 and cash flow. 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: 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 diversion of management’s attention from normal daily operations of the business and the challenges of managing larger and more widespread; the inability to retain employees and customers; contract awards in connection with re-competes for present business and/or competition for new business; our ability to manage our increased debt obligations; compliance with bank financial and other covenants; changes in client budgetary priorities; government contract procurement (such as bid and award protests, small business set asides, loss of work due to organizational conflicts of interest, etc.) and termination risks; the impact of inflation and higher interest rates; 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, 2024, 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.

# CEO key updates

## Fiscal 2025 Q2

### Robust cash generation remains key tool to reduce debt and strengthen the balance sheet

- $151.7 million total debt, a reduction of $15.3 million from Q1
- As of earnings call, mandatory term debt paid through March 31, 2026, a year ahead of schedule
- Amended credit facility announced in Nov. 2024 continues to offer flexibility as Company navigates small business “unbundling”

### Funding levels established for fiscal 2025, providing stability as fiscal 2026 budget development moves forward

- President’s fiscal 2026 discretionary budget request indicates future initiatives and priorities; essentially offsets growth in defense budgets with cuts in non-defense, particularly those related to international and climate programs
- Expectation that technology-enabled mission support will be relatively stable in FY26 funding

### Sustained demand for Company’s capabilities, despite noisy macro-environment

- Recent win to continue providing services that enhance military health technologies and capabilities highlights our ability to deliver advanced solutions at the nexus of science and technology
- Increased bidding activity exiting Q2 illustrates the continued demand for infusing technology to improve outcomes and readiness
- With more than $1.0 billion in contract value under review, we expect award decisions as the second half of the fiscal year develops, providing early indicators of organic growth

# DLH solutions well aligned with Admin priorities

President's proposed budget calls for robust funding for previously articulated areas of emphasis

## Administration stated priorities align with DLH value proposition

**Technical:**
- Increasing Cybersecurity
- Embedding AI/ML
- Modernizing IT systems
- Researching chronic diseases

**Non-Technical:**
- Prioritizing cost efficiency
- Reducing regulatory burden
- Promoting healthy lifestyles

## President's budget request recommends strong funding levels for priority areas and DLH customer agencies

**Demand Channels:**
- Military Health
- Defense & Cybersecurity
- Veterans
- Public Health Infrastructure

## DLH maintains healthy new business pipeline, bolstered by capabilities aligned with Admin priorities

- $3.5B in opportunities of varied scope and size, across each of our market areas

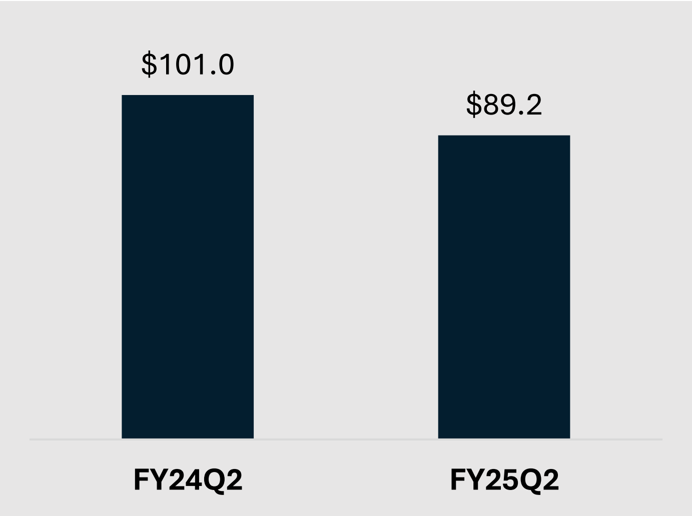
# Financials

Kathryn JohnBull, Chief Financial Officer

# Q2 FY25 results

$ millions

## Revenue



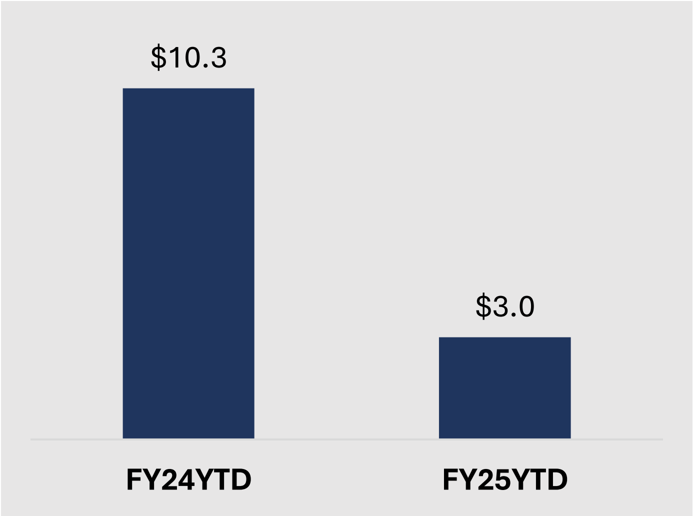

| | |
|---|---|
| $65.4 million TPS[1] | $60.7 million TPS |

- \+ Contribution from new contract awards; TPS revenue up sequentially 7.1% from prior quarter
- – Small business unbundling and transition to set-aside contractors

## EBITDA


- \+ Scaled variable indirect costs
- – Small business unbundling and transition to set-aside contractors

## Cash from Operations




- ↔ Delay in FY25Q1 collections largely resolved in Q2, generating $14.5M of operating cash flow and delivering $15.3M of debt reduction in Q2
- ↔ Ongoing strong cash flow in Q3 supports management expectation of debt reduction for the FY

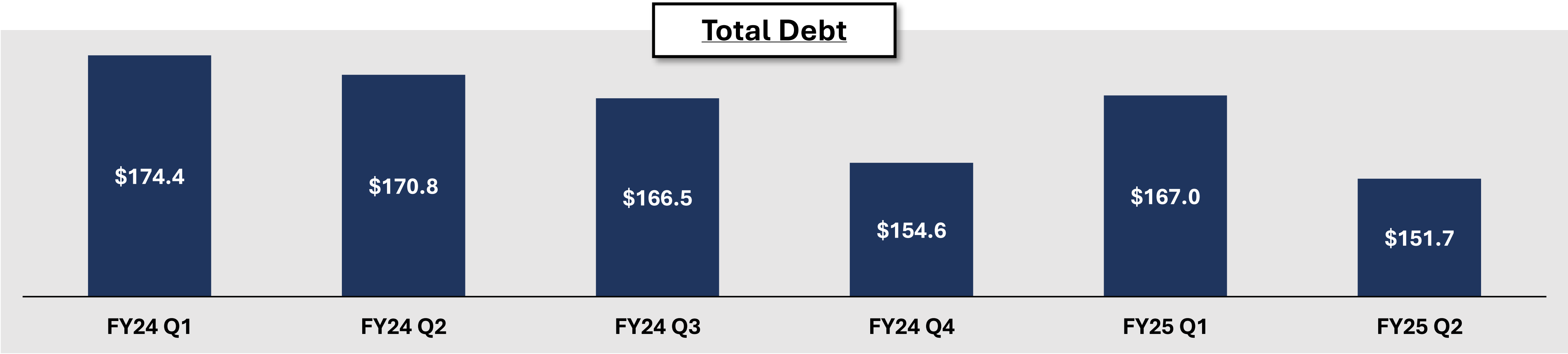
[1]Revenue from Technology-Powered Solutions excludes that from the VA CMOP program

# Capital allocation

## Focused on debt reduction and organic growth

### Total debt of $151.7 million as of March 31, 2025

- High volume of collections in the quarter as Q1 delays resolved
- Continued debt reduction as mandatory term debt paid through March 31, 2026, a year ahead of schedule
    - *Nearly 80bps of cushion between actual Q2 leverage ratio and financial covenant threshold*
- Remain confident that 50 – 55% of EBITDA is expected to convert to debt reduction by fiscal year end
- Sufficient capital resources available to support revenue growth as bid activity accelerates into second half of FY25
- Government expects to transition one additional CMOP location before end of fiscal 2025, while DLH contracts to operate remaining five (5) locations extended through October 2025, providing additional operating cashflow



Your Mission is Our Passion

# Appendix

# Non-GAAP Reconciliations

This document contains non-GAAP financial information including EBITDA and EBITDA as a percent of revenue which are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance investors should (i) evaluate each adjustment in our reconciliation to the nearest GAAP financial measures and (ii) use the aforementioned non-GAAP measures in addition to, and not as an alternative to, revenue, operating income and net income as measures of operating results, each as defined under GAAP. We have defined these non-GAAP measures as follows:

"EBITDA" represents net income excluding depreciation and amortization, interest expense, and provision for or benefit from income taxes

"EBITDA as a percent of revenue" is EBITDA for the measurement period divided by revenue for the same period.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (in thousands) | 2025 | 2024 | Change |
| Net income | $878 | $1,812 | $(934) |
| Depreciation and amortization | 4,265 | 4,243 | 22 |
| Interest expense, net | 3,877 | 4,190 | (313) |
| Provision for income tax expense (benefit) | 360 | (60) | 420 |
| EBITDA | $9,380 | $10,185 | $(805) |
| Net income Margin on Revenue | 1.0% | 1.8% | |
| EBITDA Margin on Revenue | 10.5% | 10.1% | |