

CONFERENCE CALL

PREPARED REMARKS FROM:
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April 28, 2021

FIRST QUARTER 2021 FINANCIAL RESULTS CONFERENCE CALL
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PREPARED REMARKS

DISCLAIMER

Certain statements made in this news release are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and involve a high degree of risk and uncertainty. Forward-looking statements include statements regarding our anticipated financial and operating performance. All statements in this release, other than those setting forth strictly historical information, are forward-looking statements. Forward-looking statements are not guarantees of future performance and actual results might differ materially. In particular, we make no assurances that the proposed revenue scenarios outlined in our financial guidance will be achieved. Additional examples of forward-looking statements in this press release include, without limitation, statements regarding the expected impact of the COVID-19 global pandemic on our competitive position and demand for our services; our ability to attract, train and retain qualified staffing consultants, the availability of qualified contract professionals, management of our growth, continued performance and improvement of our enterprise-wide information systems, our ability to manage our litigation matters, the successful integration of our acquired subsidiaries and other risks detailed from time to time in our reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 1, 2021. We specifically disclaim any intention or duty to update any forward-looking statements contained in this news release.

KIMBERLY ESTERKIN
ADDO Investor Relations:

Good afternoon and thank you for joining us today for ASGN's first quarter 2021 conference call. With me are Ted Hanson, President and Chief Executive Officer, Rand Blazer, President of Apex Systems, George Wilson, President of ECS, and Ed Pierce, Chief Financial Officer.

Before we get started, I would like to remind everyone that our commentary contains forward-looking statements. Although we believe these statements are reasonable, they are subject to risks and uncertainties, and as such, our actual results could differ materially from those statements. Certain of these risks and uncertainties are described in today’s press release and in our SEC filings. We do not assume any obligation to update statements made on this call.

For your convenience, our prepared remarks and supplemental materials can be found in the Investor Relations' section of our website at investors.asgn.com.

Please also note that on this call we will be referencing certain non-GAAP measures, such as Adjusted EBITDA, Adjusted Net Income and Free Cash Flow. These non-GAAP measures are intended to supplement the comparable GAAP measures. Reconciliations between the GAAP and non-GAAP measures are included in today's press release.

I will now turn the call over to Ted Hanson, President and Chief Executive Officer.

THEODORE S. HANSON
CEO, ASGN:

Thank you for joining ASGN's first quarter 2021 earnings call.

Q1 2021 Highlights - A Strong Start to the New Year

ASGN reported very strong results for the first quarter, with revenues, adjusted EBITDA and adjusted EPS all exceeding the high end of our guidance ranges. I want to thank all of our incredible employees for making the first quarter such a success, especially as we continue to navigate the challenges of the pandemic. Revenues at $1.026 billion for the quarter were well ahead of our guidance range, representing the highest quarterly revenues ASGN has achieved to date. Our prior revenue record was set in the fourth quarter of 2019. Adjusted EBITDA of $108.6 million also topped expectations and improved 4.9 percent from the prior-year quarter.

With revenues topping $1.0 billion for the third consecutive quarter, there is no question that demand is returning to our business since the lows of last year, and I am very pleased to report that we saw consistent month-to-month growth across all of our operating segments. Our commercial business, which includes the Apex and Oxford Segments, accounted for $767.9 million, or roughly 75 percent of consolidated revenues, while our government business, the ECS Segment, accounted for $257.8 million, or approximately 25 percent of consolidated revenues. Commercial bookings in particular are on a very strong trajectory, with the growth rate of bookings as we enter the second quarter higher than that of which we saw going into Q1 of this year.

Our significant exposure to mission-critical government work, combined with our ability to provide high-end digital transformation services to the commercial marketplace, has continued to support our growth. At the same time, our unique deployment model combined with the increased penetration of our large accounts has helped to propel the business forward.

Our cash position also remains strong, with free cash flow totaling $110.5 million for the first quarter, an increase of 126.4 percent year-over-year. Our strong free cash flow generation supports investments in both our company's organic growth, as well as in strategic, tuck-in acquisitions. As I noted on our Q4 2020 call, ASGN remains acquisition ready in 2021. Each of the companies we acquired last year, including Blackstone Federal, Leapfrog Systems, Skyris and ISM, have been fully integrated and are performing in line with our expectations, if not better. With that said, let's now turn to our segment performance for the quarter, beginning with our commercial business.

Q1 2021 Segment Performance

Apex Segment - Strength Across Industries

Apex, our largest segment, which includes Apex Systems and Creative Circle, services clients across multiple commercial end markets. For the first quarter, the Apex Segment generated revenues of $630.4 million, or 61.5 percent of revenues, up 0.2 percent year-over-year or 1.8 percent on a day-adjusted basis. Our results for Q1 were higher than we had anticipated.

Apex Systems improved 5.1 percent on a day-adjusted basis, while Creative Circle was down from the first quarter of 2020. Importantly, both Apex Systems and Creative Circle continue to grow off "trough level" revenues in mid-second quarter of 2020, reporting the third straight quarter of sequential growth. Creative Circle's weekly volumes, while down year-over-year, exited the quarter well above expectations. Digital-related skill placements continue to drive Creative Circle's sequential growth. Both Apex Systems and the overall Apex Segment have shown positive growth not just on a year-over-year and sequential basis, but on a two-year comparison as well.

Revenues for Apex Systems demonstrated some notable trends in the first quarter. Day-adjusted revenues in two of our five reported industries, including Financial Services and Healthcare, exhibited positive growth year-over-year leading to the aforementioned 5.1 percent day-adjusted growth rate.

Consumer & Industrial industry accounts, though down from the first quarter of 2020, were up sequentially due to strength of consumer staples, e-commerce and utilities. And while retail, energy, hospitality and transportation remain down from the prior-year quarter, it is important to note that each vertical continued to experience positive growth on a sequential basis.

Our Technology and Telecommunications or TMT vertical was flat year-over-year on a day-adjusted basis. Within the vertical, technology accounts saw growth over Q1 2020, while telecommunications accounts declined year-over-year.

Finally, Government & Business Services, which was down low single digits, saw growth in Aerospace & Defense and Government accounts over the first quarter of 2020, while Business Services accounts were down year-over-year.

Overall, revenues in applications and project management skill areas like agile, digital, ERP and cloud continued to perform well, while infrastructure and scientific skill areas remained soft.

Looking at the top accounts. Top accounts achieved high single-digit growth rates for Q1, while retail and branch accounts remained down low single digits as compared to the prior year. From an industry perspective, top accounts revenue on a day-adjusted basis at Apex Systems was up in three of the five industry verticals we target, while Creative Circle posted positive growth across all of their top accounts in Q1 2021.

Gross margins for the Apex Segment were 28.9 percent, down roughly 40 basis points from Q1 2020 due to lower permanent placement business attributable to COVID-19. Gross margins at Apex Systems were flat with the prior-year period largely benefiting from higher margin consulting work. EBITDA margins were up year-over-year in the Apex Segment based on higher productivity in our workforce.

We also continue to grow our commercial consulting revenues, which totaled $137.7 million for the quarter, up 34.0 percent year-over-year. Additionally, our pipeline of consulting work grew again at high double-digit rates over the prior period and is trending very positively in the second quarter as previously mentioned.

ASGN's high-end consulting offering remains an important source of value we provide our clients, so we continue to identify acquisition opportunities that expand our consulting capabilities. As we grow our consulting revenues, we see an increasing amount of work in digital innovation and modern enterprise solutions across cloud, data and analytics and digital business transformation engagements, enabling us to implement many of the elements of our clients' individual roadmaps for the digitization of their businesses. Work in Agile and Dev Ops in particular is a large component of our support as our clients tie together applications and customer interface capabilities. This is especially true with applications such as Salesforce and ServiceNow.

ECS - Double Digit Year-over-Year Improvement; Bolstered by a Growing Backlog

Let's now turn to ECS, which provides mission-critical solutions to the Federal Government, including the Department of Defense, intelligence agencies and other civilian agencies.

ECS recorded another quarter of strong revenue growth, with Q1 2021 revenues of $257.8 million, up 21.2 percent year-over-year. ECS' year-over-year improvement is primarily due to the government's continued high demand for artificial intelligence and machine learning (AI/ML) services, a high volume of cloud services and solutions and new opportunities presented through strategic M&A such as through our recent acquisition of ISM.

ECS' new business pipeline remains strong, with approximately $291.5 million in new business awarded in the first quarter and a book-to-bill of 1.1 to 1.0 for the quarter. Contract backlog totaled $2.7 billion at the end of the first quarter or a healthy coverage ratio of 2.5 times ECS' trailing 12-month revenues.

Our high-end solutions in cybersecurity, digital transformation, AI/ML, data science and analytics remain areas of focus for the Federal Government. During the quarter, some of our new contract awards included the expansion of AI/ML activities across the DoD and Intelligence Community, including AI integration with Intelligence, Surveillance and Reconnaissance systems. We also

continued to win programs that expand our ServiceNow modernization efforts as well as the win of a re-compete classified IT program. Last, but not least, ECS expanded its reach at Department of Energy and the National Labs with three new contracts, most notably a contract at Sandia National Labs to provide comprehensive enterprise and mission-embedded IT support.

Oxford - In-line Performance

Turning to our last segment, Oxford. Oxford offers on-demand consulting talent for commercial IT, healthcare, life sciences and engineering clients as well as permanent placement talent through our CyberCoders division. The Oxford Segment reported revenues of $137.5 million for the first quarter of 2021, and while down year-over-year, the Segment was up 6.5 percent sequentially. Both Oxford and CyberCoders are seeing a very solid recovery from the low in the first half of 2020.

Positioned for Success

I am very pleased with ASGN's first quarter performance. Between the organic growth of our commercial and government end markets and the strong performance of our strategic acquisitions, our business continues to be positioned for success. It is clear that the marketplace is strengthening, with growth in bookings in some of our commercial industries accelerating even faster than that of revenue. To discuss this performance in further detail, I'll now turn the call over to Ed Pierce, our CFO.

EDWARD L. PIERCE
CFO, ASGN:

Q1 2020 Financial Performance and Q2 2021 Financial Estimates

As Ted mentioned, our financial performance for the quarter was above guidance estimates reflecting better-than-anticipated sequential growth of our commercial business and double-digit year-over-year growth of our federal government business.

Revenues for the quarter exceeded $1.0 billion for the third consecutive quarter and were up 3.6 percent year-over-year. This was achieved despite one fewer Billable Day in the quarter and the difficult prior-year comp, as the first quarter of last year was only minimally affected by COVID. Sequentially commercial revenues were up 1.4 percent reflecting continuation of the strong momentum of the business exiting Q4 of last year.

Net income and Adjusted EBITDA for the quarter were up year-over-year and grew at a higher rate than revenues. Our Adjusted EBITDA margin of 10.6 percent was up slightly from Q1 of last year and above the high end of our guidance estimates.

Commercial revenues for the quarter were $767.9 million and were slightly up year-over-year after adjusting for one fewer Billable Day in the quarter. Sequentially, commercial revenues were up for the third consecutive quarter across all divisions.

Federal government revenues for the quarter were $257.8 million, an increase of 21.2 percent year-over-year. This strong double-digit year-over-year growth was driven by a number of factors, including increased volume on certain existing programs, new contract awards and the contribution from acquired businesses.

Gross margin for the quarter was at the high end of our guidance estimates. On a year-over-year basis, gross margin was down due to business mix and higher state unemployment tax rates. Business mix changes included lower revenues from our high margin creative marketing and permanent placement services and a higher mix of revenues from our federal government business, which carries a lower gross margin than our commercial business. The effect of these changes was partially offset by the high growth of commercial consulting revenues, which grew 34.0 percent year-over-year and totaled $137.7 million for the quarter.

SG&A expenses were 18.9 percent of revenues, down approximately 100 basis points year-over-year and up approximately 100 basis points sequentially. The year-over-year reduction in the SG&A expense margin reflected, among other things, lower travel and entertainment, healthcare and headcount expenses. The sequential increase in the expense margin reflected the effects of: (i) the payroll tax reset, (ii) higher compensation expenses related to headcount additions to support the growth of the business and (iii) higher incentive-based compensation related to improved growth and profitability. We anticipate our expense margin will

gradually increase over the course of this year as COVID-related restrictions are relaxed and we continue to make the necessary investments in our operating divisions to support higher growth in our business.

Net income for the quarter was $48.7 million, up 11.2 percent year-over-year. Adjusted EBITDA for the quarter was up year-over-year, and our Adjusted EBITDA margin was above our guidance estimates and up 10 basis points over Q1 of last year.

Free Cash Flow for the quarter was $110.5 million. The conversion rate of Adjusted EBITDA into Free Cash Flow exceeded 100 percent and was well above our historical conversion rates. The higher than normal conversion rate mainly related to a reduction in the number of Accounts Receivable Days Sales Outstanding. Over the course the year, we expect the conversion rate will return to historical norms.

At quarter end, cash and cash equivalents were $386.5 million. There were no outstanding borrowings under our $250.0 million revolving credit facility, and our Senior Secured Debt leverage ratio was 1.13 to 1.0.

Our financial guidance estimates for the second quarter are set forth in our earnings release and supplemental materials. These estimates are based on current production trends and assume no significant deterioration in the markets that we serve.

For the second quarter of 2021, we estimate revenues of $1.058 billion to $1.078 billion, net income of $56.4 million to $60.1 million and Adjusted EBITDA of $119.0 million to $124.0 million. We expect all operating divisions will be up both year-over-year and sequentially.

Our SG&A expense estimates include sequential increases for additional headcount investments to support the expected growth of our commercial business, as well as increases in other expenses that were curtailed due to COVID. Certain of those expenses, such as travel and entertainment, will be gradually reintroduced back into the business and be weighted more to the second half of the year. For the full year 2021, we expect our cash SG&A expense margin will be slightly above our expense margin for 2020, but below our expense margin for 2019. We also expect our gross and Adjusted EBITDA margins for the full year 2021 will be in line with to slightly below our margins for 2020.

Thank you for your time, and I'll turn the call back over to Ted for some closing remarks.

THEODORE S. HANSON
CEO, ASGN:

People, Profit, Planet - The Triple Bottom Line

Following the unprecedented year endured by our company, our employees and people around the globe, there is no doubt that ASGN's commitment to the environmental, social and governance or ESG causes has never been more important to ensuring the financial health and stability of our business. Assuring the health and well-being of our people while also being mindful of our environmental footprint will contribute to ASGN's profit - the triple bottom line.

At the end of March, thanks to an exceptional company-wide commitment, we debuted our second annual ESG Report, which significantly progressed our tracking efforts to develop a more robust analysis for our stakeholders. I believe that our 2020 ESG report more closely reflects ASGN's identity as a leading IT services and solutions provider. While we certainly accomplished many achievements in 2020 - from more than doubling our volunteer efforts from the prior year to significantly advancing our Diversity, Equity and Inclusion efforts across all levels of our organization - we recognize that excellence is not an act, but a habit, and thus there is a solid runway ahead of us for continued ESG progress.

In terms of responsibly managing our environmental impact, our advancement as a company will be gradual and strategic. Beginning in 2021, we have committed to effectively measuring and establishing a baseline for ASGN's carbon usage. We've also established a Green Leasing Policy and Sustainable Office Guidelines to further promote these efforts.

To improve our social impact, we've created a Corporate Social Responsibility Committee to unite company best practices. We are also pledging to become a member of the United Nations Global Compact, aligning our corporate goals with that of the UN's 17 Sustainable Development Goals.

Accountable corporate governance, including policies that comply with relevant laws, regulations and ethics principles, has been core to ASGN's business since our founding. Much of these principles and practices come down to the strength of our management team and our Board of Directors. As you may have seen, we recently announced several changes to our Board, including the upcoming retirement of Chairman Jerry Jones at the end of his current term. Jerry has served on our Board since 1995 and has been our Chairman since 2003. I want to thank Jerry for his incredible service to our company. While his shoes will be tough to fill, we are fortunate to have Arshad Matin, who has led a very successful career across the software, security and IT industries and who has been a Director on our Board since 2014, to step into Jerry's place as our new Chairman this June.

We also recently welcomed two new directors, Vice Admiral Joseph Dyer and Carol Lindstrom, to our Board. Both Joe and Carol previously served in an advisory capacity to our Board, and we are glad that they have both taken on full-time director roles with ASGN. Ultimately, as we continue to evolve and enhance our Board membership, by 2022 we are committing to advancing gender equity by having at least three female directors.

Additional Growth Steps - Supporting Digital Transformation

While there is no doubt that the world of work has changed, ASGN remains committed to supporting our clients' digital transformation efforts, while also engaging and mobilizing tomorrow's workforce responsibly and sustainably. Part of that client support will come from our current set of advanced IT solutions and capabilities, while additional support will be developed over time through new and expanded services and contracts brought to ASGN through strategic, tuck-in acquisitions. With a strong balance sheet and ample cash flow, we will continue to look to make acquisitions in both the commercial and government end markets that provide us with new capabilities, new customers and new contract vehicles. Our pipeline of acquisition opportunities remains solid and there are several interesting opportunities we are currently exploring. Throughout the process, we will remain thoughtful and measured in our M&A strategy.

As important as it is to identify acquisition targets, so too is ensuring that each of the companies we acquire is successfully integrated into ASGN. As I mentioned earlier, all of the acquisitions we completed in 2020 have now been fully integrated and are performing in line or in some cases better than anticipated.

With that said, this concludes our prepared remarks today. On behalf of our entire company and Board of Directors, we thank you for your continued support of ASGN. We will now open up the call to your questions.