

CONFERENCE CALL

PREPARED REMARKS FROM:
Theodore S. Hanson, President and Chief Executive Officer, ASGN Incorporated
Edward L. Pierce, Chief Financial Officer, ASGN Incorporated

July 28, 2021

SECOND QUARTER 2021 FINANCIAL RESULTS CONFERENCE CALL
July 28, 2021
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 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 second 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 second quarter 2021 earnings call.

Q2 2021 Highlights - All Systems a Go

ASGN reported very strong results for the second quarter, and I am pleased to report that all is progressing as planned from both a client demand and company execution standpoint. The market is strong, the demand for our services is growing, and ASGN is capturing our share of the market and more. Were it not for the incredible performance of all of our employees, serving our clients and contributing to key initiatives and acquisitions, we would not be able to post such strong results.

As you recall, at the beginning of July, we announced that we will now be reporting two business segments, the Commercial Segment, which includes Apex Systems, Creative Circle and CyberCoders, and the Federal Government Segment, our ECS business. On today's call, I will speak to these two segments, which represent our continuing operations. Ed Pierce, our CFO, will discuss Oxford, or Discontinued Operations, in conjunction with the overall financial results and Q3 guidance later in today's call.

Revenues for the second quarter for continuing operations totaled $974.9 million, up 17.2 percent year-over-year and above the high-end of our revised guidance range set forth in our announcement regarding the divestiture of our Oxford business. Adjusted EBITDA of $119.3 million also came in above the top of our revised guidance range for the second quarter, improving 25.2 percent from the prior-year period.

The Commercial Segment accounted for $712.5 million, or 73.1 percent, of our consolidated revenues, while the Federal Government Segment accounted for $262.4 million, or 26.9 percent, of our consolidated revenues. The growth of our consulting business continues to be a big driver of the Commercial Segment's stellar performance. Both realized consulting revenues and our pipeline of consulting business are firing on all cylinders. Our federal government business was also up 9.5 percent in the second quarter, performing in line with our expectations.

Our Capital Allocation Strategy

In addition to strong revenue and EBITDA, our free cash flow generation remained solid and totaled $72.3 million for the second quarter. Our free cash flow generation supports investments in our organic growth, M&A and share repurchases. We view our current stock price as attractive and with the announcement of the Oxford sale behind us, we are back in the market buying stock. Following the announcement of the Oxford divestiture, we have deployed approximately $35 million to repurchase common shares and have $215 million remaining under our $250 million share repurchase plan.

Share repurchases do not preclude us from being active on the M&A front. Our ample cash on hand along with our borrowing capacity enable us to continue to make acquisitions. While we would consider taking on additional leverage if needed, we are well positioned with our current balance sheet to continue to be acquisitive without taking on additional debt. The divestiture of Oxford will also free up capital.

Our acquisition strategy is succeeding. Since the beginning of 2019, we have acquired eight companies with an aggregate annual revenue run rate of approximately $375 million. As a result of the contribution from acquisitions and the high organic growth of our underlying business, we expect we will report record revenues for Q3 2021. This is particularly noteworthy considering historical results included revenues from the Oxford business, which is now presented as discontinued operations.

It's not just the intrinsic value of these standalone businesses that contributes to their acquisition multiples. It's also the expected revenue synergies and higher margins we can achieve when combining their capabilities with that of our own. With that said, let's turn to more detail on our segment performance for the second quarter, beginning with our largest segment, Commercial, which services large enterprises and Fortune 500 companies across multiple industry verticals.

Q2 2021 Segment Performance

Commercial Segment - Consulting Leads the Way

For the second quarter of 2021, the Commercial Segment generated revenue of $712.5 million, up 20.3 percent year-over-year and up 19.3 percent organically. Growth across our consulting business, CyberCoders and Creative Circle contributed to this increase in revenue. The Commercial Segment grew not just year-over-year and sequentially, but also grew high single digits as compared to the second quarter of 2019.

Apex Systems revenues improved 16.6 percent over the prior-year period, while Creative Circle and CyberCoders grew 39.4 percent and 58.9 percent year-over-year, respectively. Each of these operating units reported their fourth straight quarter of sequential growth.

From an industry perspective, all five commercial industry verticals experienced growth during the quarter, with all but Government & Business Services industry accounts achieving double-digit growth on a year-over-year basis.

Commercial & Industrial accounts were up double digits both year-over-year and sequentially due to the continued strength of consumer staples, e-commerce and utilities as well as significant improvement in retail, energy, hospitality and transportation.

Our Technology and Telecommunications, or TMT, vertical was up double digits year-over-year. Within the vertical, technology accounts saw significant growth over Q2 2020, while telecommunications accounts were flat year-over-year.

Government & Business Services was up mid-single digits, with Aerospace & Defense and Government accounts flat over the second quarter of 2020, while Business Services accounts were up year-over-year.

Financial Services accounts were up double digits with growth in Regional Banks, Wealth Management and FinTech accounts.

Both top accounts and retail and branch accounts achieved double-digit growth rates for Q2. From an industry perspective, top account revenue at Apex Systems was up in all five industry verticals we target, while Creative Circle posted positive growth across their top accounts in Q2 2021.

Gross margins for the Commercial Segment were 32.0 percent, up 100 basis points from the prior year due to increased business in the Creative Circle and CyberCoders units along with the higher bill rates associated with our commercial consulting business.

EBITDA margins were also up due to the growth in gross margins as mentioned above, along with higher productivity in our workforce. Importantly, EBITDA margins were up compared to Q2 2019, which is reflective of a more typical performance year.

We also continued to grow our commercial consulting revenues during the quarter. Consulting revenues totaled $144.4 million for the second quarter, a significant increase of 69.3 percent year-over-year, of which 61.8 percent represents organic growth. Our pipeline of consulting business continues to grow at high double-digit rates and is trending positively in the third quarter.

This growth in our consulting business resulted from a combination of factors, including broad-based industry demand, acquisitions of businesses that have bolstered our technical muscle and domain expertise and the success of our Mexican Delivery Center. Since the onset of the global pandemic, client demand for near-shore capabilities has resulted in the doubling in size of our Mexican Delivery Center. The success of these near-shore capabilities is an excellent example of how we have been able to spread the strength of one of our acquisitions, in this case Intersys, across our entire commercial book of business.

Speaking of acquisitions, at the end of the second quarter, we welcomed the Infor Business Unit of Avaap, a modern enterprise solutions integrator, to the Commercial Segment, strengthening our consulting capabilities and offerings in the Healthcare and Consumer & Industrials sectors. The Infor Business Unit's roughly 240 employees add to our growing portfolio of capabilities for our healthcare and manufacturing clients in the US and in Europe, including new and enhanced advisory and managed service

offerings. ASGN remains at the forefront of digital transformation, and we expect significant opportunities for the Infor team as legacy users of their enterprise solution, particularly in the healthcare space, upgrade to the cloud.

As we strengthen our consulting capabilities, our revenues continue to accelerate. 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 digital roadmaps. Work in Agile and Dev Ops, in particular, is a large component of our support as our clients tie together applications in their cloud environment and strengthen their customer support with real-time data updates. Our ability to build dashboards and software interfaces to propel the customer experience and internal management of business operations have been key drivers of our revenues.

We are very pleased with the recovery we have seen in our commercial business, which is representative of our commitment to service our accounts, build a diversified set of customers and bring value to every piece of work assigned.

Federal Government Segment - Performance Continues to Impress

Let's now turn to the Federal Government Segment, which provides mission-critical solutions to the Department of Defense, intelligence agencies and other civilian agencies. Revenues for the Federal Government Segment totaled $262.4 million for the second quarter, up 9.5 percent year-over-year. Growth in the Federal Government Segment was primarily due to the continued high demand for artificial intelligence and machine learning services and the impact of recent acquisitions including both ISM and Skyris.

The Federal Government Segment's new business pipeline also remained strong, with approximately $304.0 million in new business awarded during the second quarter and a book to bill ratio of 1.2 to 1. Contract backlog totaled $2.7 billion at the end of the second quarter or a healthy coverage ratio of 2.5 times the segment's trailing 12-month revenues.

During the quarter, we were awarded a three-year award from the Army Research Laboratory to work in the development, fielding and sustainment of Artificial Intelligence solutions for the Department of Defense. This award introduces several new mission areas and focuses on enhancing the DoD's development pipelines and data feeds. We were also awarded a contract from the DoD Combatant Command to support data and analytics activities in intelligence operations.

Similar to the Commercial Segment, we remain acquisitive in the federal government space and will continue to be going forward. Just post the end of the second quarter, we announced the acquisition of IndraSoft, a leading cybersecurity and digital transformation solutions provider to the Federal Government. IndraSoft's team of 220 highly-skilled consultants deepens ASGN's footprint with key customers, including the Air Force, Defense Information Systems Agency, Army Intelligence and other defense agencies. The acquisition of IndraSoft is another example of our long-term capital deployment strategy to acquire high-growth consulting businesses that position ASGN as an industry-leading provider of IT services and solutions.

Before speaking further about our acquisition strategy, I will now turn the call over to Ed Pierce, our CFO, to discuss the second quarter financial results and our third quarter guidance. Ed?

EDWARD L. PIERCE
CFO, ASGN:

Q2 2021 Financial Performance and Q3 2021 Financial Estimates

Before commenting on our financial performance for the quarter, I will first make a few comments on the changes in our financial reporting since last quarter.

As most of you are aware, we announced earlier this month that we had entered into an agreement to sell our Oxford business for $525.0 million, which equates to estimated proceeds, net of income taxes, of approximately $415.0 million. As a result of the decision to divest Oxford, results for that business are no longer included in continuing operations, but reported as discontinued

operations. This pertains not only to current and future periods, but also to our historical periods. Consequently, we have revised our historical financial results to report the Oxford business as Discontinued Operations. The revised historical results are included in our supplemental earning materials that can be found on our website.

We have also changed our segment reporting to remove Oxford as a separate segment, and have combined the CyberCoders division with the Apex Segment, which we have renamed the Commercial Segment. The ECS Segment has been renamed the Federal Government Segment.

As Ted commented, our financial performance was well above our initial guidance estimates for the quarter and above the high end of our recently updated guidance. These results reflected the double-digit growth of our Commercial Segment and solid growth in our Federal Government Segment.

For the quarter, revenues from continuing operations, which, as I mentioned earlier, do not include the Oxford business, were $974.9 million, up 17.2 percent over Q2 of last year and up 7.5 percent over Q1 of this year. Net income and Adjusted EBITDA for the quarter were both up year-over-year and sequentially and grew at a higher rate than revenues. Our Adjusted EBITDA margin of 12.2 percent was 70 basis points up from Q2 of last year, reflecting, among other things, improvement in business mix and expansion in gross margin of our Commercial Segment.

Revenues from our Commercial Segment were $712.5 million, up 20.3 percent year-over-year. For the fourth straight quarter, all commercial divisions were up both year-over-year and sequentially.

Revenues from our Federal Government Segment were $262.4 million, up 9.5 percent year-over-year and in line with our guidance estimates. This 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 of 28.3 percent was at the high end of our updated guidance estimates and up approximately one percentage point year-over-year, driven by the double digit growth of our high-margin commercial consulting, creative marketing and placement services.

SG&A expenses were $176.4 million and slightly above our updated guidance estimates because of acquisition-related expenses of $2.6 million. Consistent with past practice, we do not include acquisition-related expenses in our guidance estimates. The year-over-year increase in SG&A expenses related to the high year-over-year growth in the business, the increase in headcount to support future growth and higher incentive compensation and healthcare expenses, which were both down in 2020 from historical levels.

Income from continuing operations was $57.3 million, up 31.7 percent year-over-year. Adjusted EBITDA was up year-over-year, and our Adjusted EBITDA margin of 12.2 percent was above our updated guidance estimates and up 70 basis points over Q2 of last year.

Free Cash Flow from continuing operations was $72.3 million for the quarter and $179.1 million for the first half of 2021. The conversion rate of Adjusted EBITDA into Free Cash Flow for the quarter was above 60 percent, which is in line with historical conversion levels.

At quarter end, cash and cash equivalents were $375.4 million. There were no outstanding borrowings under our $250.0 million revolving credit facility, and our Senior Secured Debt leverage ratio was 1.17 to 1.0.

Our financial guidance estimates for the third quarter are set forth in our earnings release and supplemental materials. For the third quarter of 2021, we estimate revenues of $1.035 to $1.055 billion, income from continuing operations of $56.8 to $60.5 million and Adjusted EBITDA of $120.0 to $125.0 million. We are estimating all divisions will be up both year-over-year and sequentially. At the mid-point of our estimates, our implied revenue growth rate is approximately 15.5 percent over Q3 of last year. We estimate income from discontinued operations will range from $155.0 to 165.0 million, virtually all of which relates to the after-tax gain on the sale of the Oxford business.

Our SG&A expenses include sequential increases for headcount to support expected growth of our commercial business, as well as increases in other expenses that were curtailed due to COVID-19.

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

THEODORE S. HANSON
CEO, ASGN:

ASGN's Three-Pronged Approach to M&A

These are exciting times at ASGN, and I do not envision us slowing down any time soon. Since the start of 2020, more than two-thirds of which took place during a global pandemic, we have successfully acquired six companies and made the strategic decision to sell our Oxford business, freeing up both capital and management bandwidth to focus sharply on building a high-growth, high-margin diversified IT services and solutions business in the commercial and government markets. Case in point, our consulting business, including both commercial consulting and ECS, totaled $406.7 million or approximately 41.7 percent of consolidated revenues for the second quarter.

Our acquisition strategy, which has contributed to this evolution of our business toward higher margin, high growth, high value work is succeeding, and we have positioned ourselves to think even bigger. Still, we remain measured when it comes to M&A and in doing so follow a three-pronged approach to acquisitions. I'd like to discuss this approach today.

The first prong of our three-part acquisition strategy is making strategic tuck-in acquisitions of companies sub-$100 million in annual revenues with accretive growth rates and EBITDA margins that provide us with new capabilities, new solutions and or new contracts in high demand by our customers. Each of the six acquisitions we completed since the beginning of 2020 are examples of this strategy in action.

As I mentioned earlier, it's not just the intrinsic value of the standalone businesses we acquire that add value to our overall company; it's also the expected revenue synergies we can achieve by leveraging their capabilities across the breadth of our portfolio. The tuck-in acquisitions we have made to date are anticipated to generate higher growth rates and higher cash flow than what is now classified as our Discontinued Operations.

In addition, given the strength of our balance sheet and the near completion of our Oxford sale, we are developing strategic tuck-in opportunities at a larger scale, think greater than $100 million in revenue. Like the first prong of our strategy, acquisitions completed as part of the second prong of our strategy would be accretive to growth rates and margins and also add new contracts, new solutions or new capabilities to our Commercial and Federal Government Segments.

Finally, taking our strategy one step further, the third prong of our approach to M&A is to acquire standalone businesses that fit under the ASGN umbrella, with adjacencies in IT services and solutions, but that are not in conflict with our current offerings and which can generate revenue synergies that help fulfill our long-term growth strategy. An example would be our acquisition of ECS in 2018, a business which has now grown to over $1.0 billion in annual revenues much quicker than our initial expectations.

Future Plans to Continue to Support our Long-term Mission

We continue to make ground on our strategic growth path, and everything we have done in the past 90 days further supports our mission to be a leading provider of IT services and solutions to the commercial and government markets. With the strong resurgence of our commercial business and the stability and growth of our federal government business, we are confident that we have now taken the appropriate actions to position ASGN for long-term sustainable growth in the markets we serve.

Following the completion of multiple acquisitions, the divestiture of Oxford and the re-segmentation of our business into the Commercial and Federal Government Segments, we believe now is the ideal time to reset expectations and share with the

investment community an update on our long-term vision, strategy and goals. With that said, we look forward to hosting a virtual analyst day this September 14th. Additional details on this analyst day will be announced over the coming weeks.

Thank you again for your time this afternoon. This concludes our prepared remarks for today. On behalf of our entire company and Board of Directors, we appreciate your continued support of ASGN. We will now open up the call to your questions.