

CONFERENCE CALL

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

April 27, 2022

FIRST QUARTER 2022 FINANCIAL RESULTS CONFERENCE CALL
APRIL 27, 2022
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, 2021, as filed with the SEC on March 1, 2022. 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 2022 conference call. With me are Ted Hanson, Chief Executive Officer, Rand Blazer, President, 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 GAAP and non-GAAP measures are included in today's press release.

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

THEODORE S. HANSON
CEO, ASGN:

Thank you for joining ASGN's first quarter 2022 earnings call.

Q1 2022 Highlights – Continued Strength That Surpasses Expectations

I am very pleased to report that the momentum we experienced in the fourth quarter of 2021 continued into the first quarter of 2022. Revenues for the first quarter totaled $1.1 billion, up 20.3 percent year-over-year and surpassing the high end of our guidance range. Our Commercial Segment accounted for 76.3 percent of consolidated revenues, with strength across all business units driving the Segment's growth. Our Federal Government Segment accounted for the remaining 23.7 percent of revenues and performed in line with our expectations for the quarter, achieving consistent revenues year-over-year despite the difficult quarterly comparison.

Adjusted EBITDA also improved significantly and was up 39.1 percent year-over-year to total $134.8 million, a record for the first quarter. With such strong quarterly results, we continue to trend ahead of the three-year targets we laid out at our Investor & Analyst Day Conference this past September. This performance brings us closer to our goal of $6.0 billion in revenues by 2024, $4.9 billion of which will come from the organic growth of our existing business.

It is clear from these aforementioned results and the segment-level detail that I will provide shortly, that ASGN's business model supports the future of work, and that our Company continues to be a winner in providing IT services and solutions to the commercial and government end markets. ASGN's unique delivery model provides not only critical IT resources, but also consultative solutions with custom fit teams. We are better positioned than any other company to solve for gaps in IT talent, while preparing the future technology workforce for tomorrow's digital needs. I'd like to thank our entire team for your exceptional efforts this past quarter. Together, you have enabled ASGN to not only surpass our internal financial targets, but to also reach new company records.

Q1 2022 Segment Performance

Commercial Segment – Strength Across All Service Areas

Our Commercial Segment had a very strong quarter with revenues of $832.9 million, an increase of 28.3 percent over Q1 of last year. Apex Systems, our largest division accounting for 82.7 percent of the segment's revenues for the quarter, reported solid double-digit growth in both IT staffing and consulting services. We also saw a strong uptick in creative digital marketing and permanent placement services for the quarter.

From an industry perspective, all of our five Commercial Segment industry verticals achieved double-digit growth for the quarter.

Financial Services, our largest industry vertical, had particularly strong performance across Insurance, FinTech and Wealth Management accounts. Growth in our Technology, Media and Telecommunications, or TMT, accounts was led by our technology and telecommunication accounts. Growth in our Commercial & Industrial accounts reflected strength across all sectors, with particular strength in Energy, Industrials and Consumer Discretionary accounts. Growth in our Healthcare vertical continued to be driven by both Provider and Payer accounts. Finally, growth in our Government & Business Services vertical was led by our Business Services accounts, while Aerospace & Defense and Government accounts were up mid-single digits versus Q1 of 2021.

Apex Systems' top accounts across all five of the industry verticals we target, along with the unit's retail and branch accounts, all achieved double-digit growth rates for the quarter. Creative Circle also posted positive growth across their top accounts, while permanent placements at CyberCoders exceeded our expectations, enabling the unit to achieve solid double-digit growth for the quarter.

Gross margin for the Commercial Segment was 32.7 percent, up 210 basis points from Q1 of last year due to growth across our high-margin commercial consulting, creative digital marketing and permanent placement businesses. This growth in gross margin contributed to a corresponding increase in Adjusted EBITDA margins of 140 basis points compared with Q1 2021.

We also continued to expand our commercial consulting revenues during the quarter. Commercial consulting revenues totaled $204.7 million, an increase of 74.2 percent over Q1 of last year. Revenues derived from our work in digital transformation, workforce management and modern enterprise projects led the segment's strong performance.

ASGN's consulting offerings remain an important source of value we provide our clients, so we continue to build out our solution strengths and identify acquisition opportunities that expand our consulting capabilities and bring value to our diversified set of clients. Our digital transformation projects, in particular, which help our clients develop new digital tools and pathways to enhance their customer support, financial transactions and supply chain, are in great demand.

In order to provide additional color on our consulting business and for industry comparative purposes, starting this quarter we will also provide our quarterly commercial consulting bookings and book-to-bill results. ASGN defines bookings as the amount of funded work won during any given quarter that will be executed over the ensuing quarters. Our book-to-bill is the ratio of our total bookings to the commercial consulting revenues for the quarter. Commercial consulting bookings for the quarter totaled $297.5 million, up 63.5 percent over Q1 of last year. This translates into a book-to-bill of 1.5 to 1 for the quarter. While this ratio continues to trend positively and the outlook for our consulting business remains strong, it is important to keep in mind that as we head into the second quarter, our commercial consulting business and overall Commercial Segment faces tougher year-over-year comparisons through the remainder of 2022.

Federal Government Segment – Consistent Performance Bolstered by New Federal Budget

Now, 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 quarter totaled $258.1 million, consistent with Q1 of last year and in-line with our expectations. Gross and Adjusted EBITDA margins were up significantly from Q1 of last year related to improvements in business mix, which included (i) a lower mix of revenues from cost reimbursable contracts, which carry lower margins than other contract types and (ii) the contribution from the higher-margin businesses we acquired in 2021.

New contract awards for the quarter were approximately $128.0 million. At quarter end, contract backlog totaled $2.9 billion, a healthy coverage ratio of 2.6 times the segment's trailing 12-month revenues.

Examples of contracts awarded to our Federal Government Segment during the quarter included a contract to support cybersecurity efforts for the U.S. Army's Network Enterprise Technology Command, the expansion of a contract with the Army Research Lab, and a flagship contract with the Defense Information Systems Agency, or DISA, to provide the DoD and other Federal agencies IT services and solutions.

With that, I'll turn the call over to Ed Pierce, our CFO, to discuss the first quarter financial results and our second quarter 2022 guidance.

EDWARD L. PIERCE
CFO, ASGN:

Q1 2022 Financial Performance and Q2 2022 Financial Estimates

As Ted mentioned earlier, our financial performance for the first quarter exceeded our guidance estimates. This performance reflected double-digit growth of our Commercial Segment, consistent performance of our Federal Government Segment, the contribution from acquisitions and the expansion in gross and Adjusted EBITDA margins in both segments.

For the quarter, revenues were $1.1 billion, up 20.3 percent year-over-year, or 18.7 percent after adjusting for the one additional Billable Day in the quarter as compared with Q1 of last year. Revenues for the quarter included $40.2 million from acquisitions completed during 2021. Adjusting for the effects of the additional Billable Day and the revenue contribution from acquisitions, the organic growth rate for the quarter was 14.4 percent. Gross profit, operating income and Adjusted EBITDA were all up year-over-year and grew at higher rates than revenues.

Revenues from our Commercial Segment were $832.9 million, up 28.3 percent year-over-year. All commercial divisions and revenue streams grew double digits with the highest growth coming from our commercial consulting, creative digital marketing and permanent placement services, which carry higher gross margins than our IT staffing services. Commercial consulting revenues

were $204.7 million, up 74.2 percent over the first quarter of last year and accounted for approximately 25 percent of the segment's revenues.

Revenues from our Federal Government Segment were $258.1 million, in line with the first quarter of last year and our guidance estimates. The revenue consistency for the quarter was achieved despite a difficult prior-year comparable. The first quarter of last year benefited from higher revenues from certain cost reimbursable contracts, including a low-margin web services project that the segment chose not to renew in Q3 of last year. Revenues for the quarter included $28.3 million from acquisitions made in 2021, partially offsetting the effects of the difficult prior-year comparable.

Gross margin of 29.9 percent exceeded the high end of our guidance estimates and was up 300 basis points over Q1 of last year. Both business segments reported year-over-year expansion in gross margin driven by improvements in business mix.

Gross margin for the Commercial Segment was 32.7 percent, up 210 basis points year-over-year. The expansion was the result of double-digit growth of our high-margin commercial consulting, creative digital marketing and permanent placement services.

Gross margin for the Federal Government Segment was 20.9 percent, up 340 basis points year-over-year as a result of changes in business mix. This improvement resulted from: (i) a lower level of revenues from certain cost reimbursable contracts including a low-margin web services project, which was not renewed in Q3 of last year and (ii) the contribution from high-margin businesses acquired in 2021.

SG&A expenses were $212.1 million, up 29.1 percent year-over-year. The increase was commensurate with the growth in the business, changes in business mix and investments to support the high growth of the business. These investments were mainly in headcount, employee compensation and IT applications and systems.

Income from continuing operations was $67.6 million, up 57.9 percent year-over-year. Adjusted EBITDA was up 39.1 percent year-over-year, reflecting a 170 basis point expansion in our Adjusted EBITDA margin to 12.4 percent.

At quarter end, cash and cash equivalents were $502.4 million, and there were no outstanding borrowings under our $250.0 million revolving credit facility. Our Senior Secured Debt leverage ratio was 0.96 to 1.0. During the quarter, we spent $76.9 million on the repurchase of approximately 684,000 shares of the Company's common stock.

Our financial estimates for the second quarter are set forth in our earnings release and supplemental earnings materials. These estimates are based on current production trends, assume 63.5 Billable Days in the quarter, which is the same number of days as Q2 of last year and include a revenue contribution of $42.1 million from acquisitions made in 2021.

For the second quarter of 2022, we are estimating revenues of $1.108 billion to $1.128 billion, an implied growth rate of 13.7 to 15.7 percent on a difficult prior-year comparable due to the high sequential growth in Q2 of last year of 7.5 percent. We are estimating net income of $68.3 million to $71.9 million and Adjusted EBITDA of $135.0 million to $140.0 million, which reflects year-over-year expansion in gross and Adjusted EBITDA margins. On a sequential basis, we estimate our Adjusted EBITDA margin will be flat to slightly down as a result of a lower mix of permanent placement revenues and slightly higher consultant employment expenses.

With respect to the full year 2022, we are updating our high-level comments made on our last earnings call. We project revenues for the year will be up over 12.0 percent year-over-year. We are also projecting year-over-year expansion in our gross and Adjusted EBITDA margins. We expect our Adjusted EBITDA margin will range from 12.1 percent to 12.3 percent up from 12.0 percent for last year. This is driven by a higher mix of commercial consulting and creative digital marketing revenues, partially offset by a lower mix of permanent placement revenues and investments in our operating platform to support high, sustainable growth in the business.

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

THEODORE S. HANSON
CEO, ASGN:

Updates on Leadership and Our Three-Year Financial Plan

Over the past several months, we've announced a number of changes to our executive leadership as we continue to develop our team as a part of our Company's long-term succession planning. With that said, I'd like to formally announce today that our long-time and well-respected CFO, Ed Pierce, will be stepping down as CFO this coming August and will remain in a strategic role with ASGN through the first quarter of 2023.

Ed has been an integral part of ASGN since 2007, first serving as a member of our Board of Directors and then officially becoming our Executive Vice President and Chief Financial Officer in 2012. On behalf of our entire company, I would like to thank Ed for his outstanding service and leadership. Ed has been an invaluable partner to me since I assumed the role of CEO four years ago, and I wish him the very best in his well-deserved retirement.

Ed's orderly and planned retirement provided us with ample opportunity to be very selective in finding the ideal candidate to fill his shoes. Along those lines, I am pleased to announce that we have recently welcomed Marie Perry as an Executive Vice President on our team. Marie will assume the role of ASGN's CFO in August.

Marie is an accomplished CFO and proven leader. She joins us from Brink's, where she served as Chief Financial Officer of the company's U.S. division. Prior to Brink's, Marie was Chief Financial Officer, Executive Vice President, and Chief Administrative Officer at Jamba Juice and held multiple finance roles, including Controller, Treasurer and interim CFO for Brinker International. She also spent nearly 14 years in roles of increasing responsibility within the finance team at American Airlines. Marie began her career in public accounting at KPMG.

We are very excited to have Marie on board and hope that many of you have the opportunity to meet her over the coming months. Marie has hit the ground running and will have the great opportunity to shadow Ed for several months before transitioning into her new role. In addition, Marie has the backing of our deep and talented finance team to support her as we continue to execute on our strategic and financial priorities. I anticipate that her transition into the CFO role will be seamless.

Our Third Annual ESG Report

Speaking of our strategic and financial priorities, I am pleased to announce that just last week ASGN issued its third annual Environmental, Social, and Governance Report. We made significant progress against our ESG objectives this past year, adhering to the priorities we laid out in our 2020 report, as well as introducing new efforts that push forward our commitment to corporate social responsibility.

In May of this past year, ASGN became a corporate participant of the United Nations Global Compact, joining 13,000 companies in aligning our strategies and operations with universal principles on human rights, labor, environment and anti-corruption. We also augmented our disclosures by leveraging several new reporting frameworks, conducted a baseline greenhouse gas report ahead of the SEC proposals and put in place a robust Cybersecurity Response Plan.

These are just a few of our many accomplishments, and I hope that you will take the opportunity to read our full 2021 ESG Report which we have posted to our website. Our ESG Report would not be possible were it not for our incredible team of employees. I'd like to thank all of ASGN for your commitment to the highest sustainability and corporate purpose standards. We have accomplished a lot, and together we remain committed to continually advancing our progress.

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