

CONFERENCE CALL

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

July 27, 2022

SECOND QUARTER 2022 FINANCIAL RESULTS CONFERENCE CALL
JULY 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 second quarter 2022 conference call. With me are Ted Hanson, Chief Executive Officer, Rand Blazer, President, Ed Pierce, Chief Financial Officer, and Marie Perry, Executive Vice President.

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 second quarter 2022 earnings call.

Q2 2022 Highlights – A Resilient First Half of the Year

As is evident from our second quarter results, we had a strong first half to the calendar year. Revenues for the second quarter surpassed the high end of our guidance range and totaled $1.1 billion, up 17.1 percent year-over-year and up 4.7 percent sequentially, driven by the continued strength of our Commercial Segment as well as growth in our Federal Government Segment despite a difficult year-over-year comparable. Our Commercial Segment accounted for 74.5 percent of consolidated revenues, while our Federal Government Segment accounted for the remaining 25.5 percent of revenues.

Adjusted EBITDA also surpassed our estimates for the quarter and was up 20.7 percent year-over-year and up 6.8 percent sequentially to total $144.0 million. With these strong results, we continue to trend ahead of our 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.

An important component to our success and in achieving our three-year revenue goal is our unique deployment model. As a leading provider of IT services and solutions to the commercial and government end markets, our business is US-focused and has very steady and predictable trends. These trends include not just our history of achieving above-industry revenue growth, but also our continued margin expansion and free cash flow growth.

For the quarter, Adjusted EBITDA margin improved 40 basis points year-over-year to total 12.6 percent. Our free cash flow from continuing operations was $79.6 million, an improvement of 10.1 percent over the prior year period.

Given our strong free cash flow and the market conditions, we have been actively buying back our shares. During the quarter we purchased $91.2 million in shares and in today's earnings release we announced our Board of Directors approved a new two-year $400 million share repurchase plan which replaces the $350 million plan approved in December 2021. The increased pace of repurchases in the second quarter and, new expanded program just approved, allows us to take advantage of market conditions, while maintaining our view that thoughtful M&A yields the best long-term value for stakeholders.

As we discuss our second quarter performance today, three key themes will remain top of mind. These include: 1) our consistently strong execution, which is evidenced by the growth of our two business segments; 2) the stability and resiliency of our unique deployment model, which positions us to successfully navigate across market cycles; and 3) our strong free cash flow generation and balanced, but flexible, capital deployment strategy, which enables us to act in the best interests of all of our stakeholders.

So, let's review these themes and start by discussing our largest segment, Commercial, which services large enterprises and Fortune 1000 companies.

Q2 2022 Segment Performance

Commercial Segment – Consulting Again a Driving Force

Our Commercial Segment had another very strong quarter with revenues of $850.6 million, an increase of 19.4 percent over Q2 of last year, with strong growth in both IT staffing and consulting services. Apex Systems, our largest division, accounted for 83.1 percent of the segment's revenues for the quarter with top and retail accounts both achieving double-digit growth rates.

From an industry perspective, all five of our Commercial Segment industry verticals achieved double-digit growth for the quarter. Within Apex Systems specifically, Financial Services, our largest industry vertical, had strong performance in Banking and Insurance, with even greater year-over-year increases amongst our FinTech and Wealth Management accounts. Growth in our Technology, Media and Telecommunications, or TMT, accounts was again led by technology and telecommunications work. Progress in our Commercial & Industrial accounts reflected strength across all sectors with the exception of Materials. In particular, we achieved

double-digit growth in Energy, Utilities, Consumer Discretionary and Consumer Staples. Improvement in our Healthcare vertical revenues continued to be driven by both Provider and Payer accounts. Finally, growth in our Business & Government vertical was led by our Business Services accounts, while Aerospace & Defense accounts were up mid-single digits versus the prior year.

Gross margin for the Commercial Segment was 33.1 percent, up 110 basis points from the prior year driven by our growing contribution of high-margin commercial consulting, creative digital marketing and permanent placement businesses. Adjusted EBITDA margins were relatively consistent with Q1.

ASGN's IT Consulting offerings remain an important source of value we provide our clients. For the quarter, commercial consulting revenues totaled $222.2 million, an increase of 53.9 percent year-over-year. Revenues derived from our work in web, mobile and application development, data analysis and migrations and cloud architecture engagements led our commercial consulting's quarterly performance.

We had a particularly strong quarter for commercial consulting new bookings which totaled $340.6 million, up 56.5 percent year-over-year. This translates into a book-to-bill of 1.5 to 1 for the quarter, consistent with Q1. As a reminder, we calculate commercial consulting's book to bill as the ratio of our bookings – the amount of new work won during any given quarter that will be executed over the ensuing quarters – to our commercial consulting revenues for that quarter. Our pipeline of business remains strong, improving double-digits sequentially, and we are actively growing our capabilities.

Speaking of expanding our capabilities, at the beginning of July we officially closed our acquisition of GlideFast, an Elite ServiceNow provider, and within their first week as part of ASGN, the GlideFast team participated in more than a dozen client pitches with Apex Consulting Services. We are not surprised by this new business momentum due to the high demand for ServiceNow. In fact, even prior to acquiring GlideFast, our commercial consulting customers were asking for ServiceNow implementations.

For those not yet familiar, ServiceNow is a cloud-based workflow platform that has quickly become the go-to operating system of enterprises worldwide. In essence, ServiceNow provides a new digital layer throughout an enterprise's operations, automating its workflows and streamlining its business processes quickly and at scale. By aligning our current IT consulting offerings with that of GlideFast's expertise, we are jumpstarting our ServiceNow business and immediately offering GlideFast access to Apex System's account base.

The acquisition of GlideFast ideally fits with our M&A strategy of acquiring in-demand digital solution capabilities that can be strategically pulled across our large account portfolio. Like that of Apex Systems, GlideFast's client base spans multiple industries from TMT and Financials to Consumer and Business Services, amongst other verticals. We see significant revenue synergies with GlideFast above its standalone anticipated 30 percent revenue growth in 2023. Ed Pierce will provide further detail on GlideFast's revenue contributions later in today's call.

Federal Government Segment – Solid Performance; A Natural Business Stabilizer

Let's now turn to the Federal Government Segment, which provides mission-critical solutions to the Department of Defense, the intelligence community and civilian agencies. Revenues for the quarter totaled $291.2 million, an increase of 11.0 percent year-over-year driven by a combination of organic growth and the impact of businesses we acquired in 2021. We also experienced better-than-expected spending on a cost reimbursable AI/ML contract which was a pull forward from the second half of this year. Ed will speak more on that shortly.

Gross and Adjusted EBITDA margins were also up for the quarter related to improvements in the Federal Government Segment's business mix, including a smaller contribution of cost reimbursable contracts, which carry lower margins than other contract types, as compared to the prior year, and the contribution from the higher-margin businesses we acquired in 2021.

New contract awards for the quarter were approximately $263.4 million, which translates to a book-to-bill ratio of 0.9 times to 1 on a trailing 12 months basis. Awards are speeding up, and we are already seeing contracts come through under the new government budget. A positive sign, the government continues to drive spending in each of the areas in which ASGN is focused, including cybersecurity, AI/ML and digital transformation. At quarter end, contract backlog totaled $2.9 billion, a healthy coverage ratio of 2.5 times the segment's trailing 12-month revenues.

During the quarter, some of our contract awards included a contract to support the U.S. Army's cybersecurity efforts by modernizing and strengthening their tactical networks, a re-compete contract supporting NOAA's Office of Marine and Aviation operations in which we helped optimize their fleet capabilities, a new task order to support FCC application development and, lastly, a contract for building new and improved capabilities within training and readiness for the United States Marine Corps.

In addition, Justice, Homeland and Law Enforcement businesses saw solid organic growth during the quarter. This growth was fueled by contracts in cybersecurity, systems engineering and digital transformation solutions work, including a re-compete contract with the DOJ along with growth in other existing contracts. We also won new work with DHS and state law enforcement agencies.

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

EDWARD L. PIERCE
CFO, ASGN:

Q2 2022 Financial Performance and Q3 2022 Financial Estimates

As Ted mentioned earlier, our financial performance for the second quarter exceeded the high end of our guidance estimates. This performance reflected solid double-digit growth of our Commercial Segment, low double-digit growth of our Federal Government Segment and expansion in our gross and Adjusted EBITDA margins.

For the quarter, revenues were $1.1 billion, up 17.1 percent year-over-year on a reported basis and 13.4 percent organically, which adjusts for the $36.3 million contribution from acquired businesses. 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 $850.6 million, up 19.4 percent year-over-year. All commercial divisions 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. Revenues from commercial consulting, the largest of the high-margin revenue streams, were $222.2 million, up 53.9 percent year-over-year.

Revenues from our Federal Government Segment were $291.2 million, up 11.0 percent year-over-year. Revenues for the quarter were higher-than-expected mainly because of $16.0 million in third-party software license purchases under a cost reimbursable contract that were expected to occur in the second half of the year. Revenues for the quarter included $27.5 million from acquired businesses, and revenues for the second quarter of last year included $11.8 million from a low-margin web services resale program that the segment chose not to renew in Q3 of last year.

Gross margin was 30.1 percent, up 180 basis points over Q2 of last year. Both business units reported year-over-year expansion in gross margin driven by improvements in business mix.

Gross margin for the Commercial Segment was 33.1 percent, up 110 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 21.4 percent, up 3.1 percentage points year-over-year as a result of changes in business mix. This improvement resulted from: (i) the contribution from high-margin businesses acquired in 2021, (ii) a lower level of revenues from certain cost reimbursable contracts, including a low-margin web services re-sale program and (iii) higher profitability under certain firm-fixed-price contracts.

SG&A expenses were $220.4 million, up 24.9 percent year-over-year. SG&A expenses included $3.1 million in acquisition and integration expenses that we do not include in our guidance estimates. Excluding these expenses, SG&A expenses were slightly above our guidance estimates primarily as a result of higher-than-expected growth in revenues and gross profit.

Income from continuing operations was $72.6 million, up 26.7 percent year-over-year. Adjusted EBITDA was up 20.7 percent year-over-year, reflecting a 40 basis point improvement in our Adjusted EBITDA margin to 12.6 percent.

At quarter end, cash and cash equivalents were $490.6 million, and there were no outstanding borrowings under our $250.0 million revolving credit facility. Our Senior Secured Debt leverage ratio was 0.91 to 1.0. During the quarter, we spent $91.2 million on the repurchase of approximately 912 thousand shares of the Company's common stock. Subsequent to the end of the quarter, we spent $350.0 million on the acquisition of GlideFast.

Our financial estimates for the third quarter are set forth in our earnings release and supplemental earnings materials. These estimates are based on current production trends; assume 64 Billable Days in the quarter; and include an estimated revenue contribution of $35.1 million from the recent acquisition of GlideFast and two federal consulting acquisitions made in the second half of last year.

For the third quarter, we are estimating revenues of $1.183 billion to $1.203 billion, an implied revenue growth rate of 10.2 percent to 12.0 percent. We are estimating net income of $70.5 million to $74.1 million and Adjusted EBITDA of $145.0 million to $150.0 million. We are estimating year-over-year expansion in gross margin and a slight sequential decline as we're projecting a half point drop in the mix of permanent placement revenues.

With respect to the full year 2022, we are updating our high-level comments made on our last earnings call. We are currently projecting revenue growth in excess of 13.5 percent and an Adjusted EBITDA margin above 12.25 percent compared with 12.0 percent for 2021. The expansion in margin is driven by a higher mix of commercial consulting, creative digital marketing and permanent placement revenues, partially offset by 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:

Execution, Resilience, Flexibility

Following a record-setting first half, ASGN enters the second half of 2022 on solid footing and ready to support our clients' most critical business needs. While we are not necessarily recession immune, we continue to execute strongly, the first message of today's call. Our business model has several automatic stabilizers that support our recession resilience, the second of today's focus areas. Last, but certainly not least, we have managed this business through numerous down cycles, each time performing better than the market in revenues while also maintaining very solid EBITDA margins and cash flow due to our variable cost structure. This is the third area we highlighted throughout today's prepared remarks.

ASGN's scale and unique deployment model provides us with stability throughout market cycles. The ASGN of today is better positioned for faster, sustained growth in IT services and solutions and maintains more diverse revenue streams than ever before. Our US-focused, high-end IT service offerings to a large and industry-diverse commercial client base, combined with our counter-cyclical federal government work, provide stable sources of revenue and strength during an economic downturn. These aspects of our operating model enable us to quickly accelerate our business to support each of our clients, who are quick adopters of new technologies and actively looking to pursue their IT modernization and digital transformation initiatives.

Importantly, customer IT spend is showing no signs of slowing. While in past economic cycles you may have seen some pullback in IT spend, the pandemic has taught us that a sustainable business is one that is technologically savvy, that has systems in place to protect and secure its networks across multiple locations and that has agile platforms with automated processes in place. In other words, the pandemic accelerated digital transformation, and we do not see that trend changing.

In fact, CTOs and other technology leaders now see investments in technology as business drivers and not cost centers, and they are focusing their companies' IT spend on cloud computing, machine learning, artificial intelligence and automation, all areas in which ASGN excels. Bill rates are naturally increasing as we move up the technology pyramid into higher-value work. Case in point is the strength of our consulting business. Consulting contracts have stable revenue streams that often extend 12 to 18 months, providing great visibility into the outer months and years. Our commercial consulting customers are confident in their digital

roadmaps and actively bidding out new work. Our government customers, who also deploy us on long-term, mission-critical solutions contracts, are seeing the benefit of the flow through of the new federal budget. These favorable dynamics for both the commercial and government end markets creates consistent demand for the IT services and solutions ASGN provides.

Saying Thanks and Welcoming in the New

Before closing, I'd like to note that today's earnings conference call officially marks Ed Pierce's last quarterly call as our Chief Financial Officer. After nearly a decade as our CFO, Ed will be retiring from his role this August, and he will take on a strategic advisory role with ASGN through the end of this year. Marie Perry, who has had the great opportunity to work side-by-side with Ed over the past several months, is ready and excited to assume the CFO position.

Ed, you have been a wonderful partner, a resourceful guide, and a great friend. I cannot thank you enough for all that you have contributed to ASGN, not only as our CFO for a decade, but also previously as a member of our Board of Directors. On behalf of the Board and our entire company, I wish you the best in your well-deserved retirement.

With that, let's open up the call to questions.