



CONFERENCE CALL

PREPARED REMARKS FROM:

Theodore S. Hanson, Chief Executive Officer, ASGN Incorporated

Marie L. Perry, Chief Financial Officer, ASGN Incorporated

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FOURTH QUARTER AND FULL YEAR 2022 FINANCIAL RESULTS CONFERENCE CALL FEBRUARY 8, 2023 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 fourth quarter and full year 2022 conference call. With me are Ted Hanson, Chief Executive Officer, Rand Blazer, President, and Marie Perry, 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 fourth quarter 2022 earnings call.

Full Year 2022 Highlights – Another Year of Record Revenue Performance

As we kick off 2023, I am pleased to report that the past year represented another top-line record for ASGN. Our results for the fourth quarter and full year 2022 are indicative of the continued demand for IT services and solutions in the commercial and government end markets we serve. I want to sincerely thank our entire team for your continued efforts, which are the reason ASGN is the leader we are today. We embark upon the new year positioned exactly where we want to be, with a great team in place, strong balance sheet and a proven operational strategy.

After a strong fourth quarter that surpassed our revenues expectations, full year revenues of approximately \$4.6 billion, were up 14.3 percent year-over-year and represented a new company record. Included in the annual revenues were \$2.1 billion from commercial and federal IT consulting. On an organic basis, revenues improved 10.3 percent versus the prior 12 months. The Commercial Segment, our largest segment, represented \$3.4 billion, or 75.0 percent of total revenues for 2022, while the Federal Government Segment comprised the remaining \$1.1 billion, or 25.0 percent of revenues.

From a profitability perspective, Adjusted EBITDA for the year improved 15.8 percent as compared to 2021, at a margin of 12.2 percent. These results put us on track to achieve our three-year financial targets laid out in September of 2021.

As will be apparent in our segment commentary today, ASGN's business has hit a positive inflection point. With IT consulting services revenues representing 49 percent of total revenues in Q4, we are now quickly approaching 50 percent of our total revenues derived from high-end, higher margin consulting work. This movement up the pyramid will remain our focus. With that as a background, let's review Q4.

Q4 2022 Segment Performance

Commercial Segment – Consulting Remains the Core Driver

Our Commercial Segment, which predominantly services large enterprises and Fortune 1000 companies, had another solid quarter driven largely by growth in consulting revenues. Segment revenues increased 7.8 percent over Q4 of last year on a difficult comparison.

Apex Systems, our largest division, accounted for 84.9 percent of the Commercial Segment's revenues, with top and retail accounts both achieving double-digit growth rates for the quarter.

As expected, creative digital marketing and permanent placement revenues experienced year-over-year declines compared with their high growth rates in the prior-year period.

From an industry perspective, three out of our five Commercial Segment industry verticals achieved double-digit revenue growth year-over-year, including the (i) Technology, Media & Telecom industry, (ii) Consumer & Industrial industries and (iii) Healthcare industry. The Financial Services industry vertical achieved mid-single-digit growth year-over-year, while Business & Government Services declined low single-digits.

Growth in the Technology, Media and Telecommunications, or TMT, industry was again led by double-digit growth across telecommunications as well as media & entertainment accounts. Progress in our Commercial & Industrial accounts reflected growth across all sectors as compared to the fourth quarter of 2021 with the exception of Materials. In particular, we achieved double-digit year-over-year growth in Energy and Consumer Staples. Healthcare industry revenues also grew double digits driven by Provider accounts. Financial Services had solid performance in Banking, with the largest growth year-over-year amongst our FinTech and Wealth Management accounts. Finally, our Business & Government Services vertical saw a slight decline for the quarter year-over-year. Within this vertical, we achieved mid-single digit growth in Aerospace & Defense accounts which was offset by a decline amongst our Business Services accounts.

Our consulting offerings also remain an important source of the value we provide clients, and for the fourth quarter commercial consulting revenues increased 37.8 percent year-over-year and up 25.7 percent organically. Bookings, which totaled \$299.8 million, also increased and were up 33.3 percent year-over-year. This translates into a book-to-bill of roughly 1.2 to 1 on a trailing twelve months' basis.

ASGN continues to be favored by our clients in the consulting space due to our intimate relationships, which span decades, our solutions portfolio, which continues to expand, and our solutions delivery model, which enables us to meet our clients' demands with the necessary skilled workforce at economical price points. We continue to solidify our role as a go-to player for commercial IT consulting services, and in 2022 increased our Fortune 1000 customer count by 44 percent year-over-year within Apex Systems, as we actively engage long-term IT staffing customers into consulting customers as well.

Let's speak about some of our commercial consulting wins during the quarter beginning with our work in ServiceNow through our GlideFast acquisition. In the first six months as part of ASGN, GlideFast has driven 23 net new wins for Apex Systems, while at the same time continues to actively service its existing client base. As an additional benefit, GlideFast customers are beginning to embrace Apex Systems' other solutions strengths as well. Our clients remain pleased with the work the GlideFast team has been providing, and, at the end of January, GlideFast was recognized as the 2023 ServiceNow Americas Elite Segment Partner of the Year for achieving overall excellence in certification and revenue growth.

Reviewing our broader consulting work, during the fourth quarter we won two data and analytics contracts. The first contract was with a large national banking institution for whom Apex Systems has been expanding its scope of work for the past three years. Now, as a part of our new contract, we will help our client accelerate its growth through process improvements and the development of security and architecture frameworks surrounding their co-branded credit card operations.

In addition, we won a second data and analytics contract with a large energy company, a new customer with whom Apex Systems is partnering to assist in the migration and modernization of its data analytics platforms in the cloud. This project will enable our client to have more reliability in their processes as well as to optimize their databases.

Also along the lines of cloud implementations, we were very pleased to win a consulting contract with a large regional healthcare provider during the fourth quarter. This healthcare company will be conducting a cloud ERP implementation in 2023 that covers its finance, supply chain, human resources and payroll departments.

Federal Government Segment – Well Positioned for Budget Priorities

Let's now turn to our Federal Government Segment, which provides mission-critical solutions to the Department of Defense, the intelligence community and federal civilian agencies. Federal Segment revenues for the quarter were up 13.3 percent compared to the fourth quarter of 2021, driven by a combination of organic growth, license revenues and the impact of our recent Iron Vine acquisition.

New contract awards for the quarter were approximately \$172.0 million, which translates to a book-to-bill of 0.9 to 1 on a trailing 12 months' basis.

Contract backlog was \$3.3 billion at the end of the fourth quarter, or a healthy coverage ratio of 2.9 times the segment's trailing 12-month revenues. Our pipeline of opportunities is at an all-time high, an indication that our Government Segment is well positioned to benefit from the government's new budget priorities. The recently passed federal omnibus bill for 2023 is 10 percent higher than that of 2022, including an additional 16 percent allocated toward the Department of Defense, an incremental six percent allocated toward the Department of Homeland Security and a 20 percent increase in budget for the Department of Veteran's Affairs, as compared to the prior-year budget. These three agencies are a few of the governmental agencies in which ECS continues to win contracts, so let me provide some examples of work won during the past quarter.

In the fourth quarter, we secured a new contract providing the Air Force with Open Source Intelligence, or OSINT, analytic tools and training. ECS provides analysts, operators and commercially available OSINT tools to the Air Force which are integrated specifically to meet the department's mission.

ECS also began to execute on a sizable amount of new funding for innovative cloud technology applications that help accelerate AI/ML activities and Smart Sensor work for the Department of Defense in the U.S. and overseas.

Speaking of the DoD, in the fourth quarter ECS won a new contract with the Defense Manpower Data Center to provide full enterprise deployment of ServiceNow. This contract is an example of our ServiceNow capabilities in our Federal Government Segment, which we gained through the 2020 acquisition of ISM.

Lastly, our acquisition of Iron Vine is progressing as planned. The Iron Vine team of cybersecurity experts is now fully integrated into ECS and actively pitching new business together. Over the past three months, Iron Vine and ECS have begun to pursue multiple large-scale cybersecurity deals leveraging the full capabilities of both teams.

With that, I will turn the call over to Marie Perry, our CFO, to discuss the fourth quarter results and our first quarter 2023 guidance.

MARIE L. PERRY
CFO, ASGN:

Q4 2022 Financial Performance and Q1 2023 Financial Estimates

For the fourth quarter revenues were \$1.2 billion, up 9.2 percent year-over-year on an as-reported basis. Excluding \$47.3 million from businesses acquired in the past 12 months, and on a Same Billable Days basis, revenue growth was 6.4 percent. Revenues for the quarter were above the high end of our guidance estimates with both segments contributing to the over performance and included \$7.7 million in license revenues on a federal contract that were not included in our estimates.

Now, let's now turn to the segments. Revenues from our Commercial Segment were \$852.2 million, up 7.8 percent as reported and 4.9 percent organically on a difficult year-over-year comparison. Revenues from commercial consulting, the largest of the high-margin revenue streams, were \$264.1 million, up 37.8 percent year-over-year. Excluding the contribution of \$23.2 million from GlideFast, consulting services revenues improved 25.7 percent year-over-year.

Revenues from our Federal Government Segment were \$298.2 million, up 13.3 percent year-over-year. Excluding the contribution from Iron Vine of \$24.1 million, revenues for the segment increased 4.1 percent.

Moving on to margins. On a consolidated basis, gross margin was 29.6 percent, down 20 basis points over the fourth quarter of last year. The slight compression in gross margin was mainly related to business mix, including a slightly higher mix of federal revenues which carry lower gross margin than commercial revenues and the expected decline in the mix of permanent placement revenues, which declined 90 basis points as a percentage of total revenues year-over-year.

Gross margin for the Commercial Segment was 32.2 percent, down 30 basis points year-over-year due to less contribution from permanent placement work as noted. By contrast, gross margin for the Federal Government Segment was 22.1 percent, up 50 basis points year-over-year primarily due to the contribution from Iron Vine.

SG&A expenses for the fourth quarter of 2022 were \$229.9 million, up 13.6 percent year-over-year. This increase in expense is commensurate with the growth in the business, and also reflects investments in headcount and technology to support future growth. SG&A expenses also included \$1.5 million in acquisition, integration and strategic planning expenses that we do not include in our guidance estimates. Excluding these expenses, SG&A was within our guidance estimates for the fourth quarter.

As expected, interest expense increased related to rising interest rates which impact roughly half of our debt outstanding. Amortization of intangible assets was higher due to our recent acquisitions.

Income from continuing operations was \$55.6 million and Adjusted EBITDA margin was 11.5 percent; both are within guidance estimates for the quarter.

At quarter end, cash and cash equivalents were \$70.3 million, and we had \$31.5 million outstanding on our \$460.0 million revolver which was increased during the quarter from its previous commitment level of \$250 million. Free cash flow for the year totaled \$270.3 million, an improvement of 9.5 percent over 2021.

We also deployed \$53.8 million on the repurchase of approximately 621 thousand shares of the Company's common stock during the fourth quarter. For the full year, we repurchased 2.8 million shares for a total of \$281.4 million. Approximately \$313.9 million remained available at year end for the repurchases of shares under our Board's prior authorization.

Turning to guidance. Our financial estimates for the first quarter of 2023 are set forth in our earnings release and supplemental materials. These estimates are based on current production trends; assume 63 Billable Days in the first quarter, which is 3 days more than the fourth quarter of 2022 but consistent with our Q1 of 2022; and include an estimated revenue contribution of \$54.0 million from acquisitions made after Q4 of 2021.

It is also important to keep in mind that the first quarter faces a tough comparison to the first quarter of 2022 in which both revenues and margins outperformed their traditional seasonality. In addition, the payroll tax reset occurs at the beginning of every year. Absent the first quarter of 2022, when the impact of the payroll tax on margins was masked by the outperformance of permanent placement revenues and lower T&E expense coming out of the pandemic, historically ASGN's Adjusted EBITDA margin has declined each year when moving from the fourth quarter to the first quarter due to the payroll tax reset.

With that background, for the first quarter, we are estimating revenues of \$1.140 billion to \$1.160 billion, an implied revenue growth rate of 4.5 percent to 6.3 percent on the same number of Billable Days and a difficult comparable.

We are estimating net income of \$51.2 million to \$54.8 million and Adjusted EBITDA of \$128.5 million to \$133.5 million. We are expecting gross and Adjusted EBITDA margins will decline sequentially from the fourth quarter of 2022 to the first quarter of 2023 primarily due the previously mentioned payroll tax reset. We do, however, expect to benefit from improved operating leverage over time.

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

THEODORE S. HANSON
CEO, ASGN:

An Evolving Business Progressing as Planned

2022 was another record year of performance for ASGN. Our fourth quarter and full year results are an indication that demand across the commercial and government end markets remains solid.

On the commercial side, with a trailing twelve month book to bill of over 1.2 to 1 portends well for the current year. Nevertheless, commercial market demand did moderate somewhat from the third to the fourth quarter.

In the government space, the new Federal budget combined with our strong pipeline of work - which remains at an all-time high - opens up an abundance of opportunities.

We remain aware of the developing market conditions and should macro conditions worsen and we find ourselves in a more difficult position than we are experiencing today, I am very confident that our business is well prepared to continue to succeed. Importantly, we have a number of automatic stabilizers in place: a strong and diversified U.S.-focused customer base, countercyclical federal government work and a variable cost structure that supports our continued strong free cash flow generation and margins.

Macroeconomic conditions are naturally outside of our control. What is in our control, however, is the quality of service we provide, the high-end talent we source, the solutions we offer and the strategic positioning we maintain. When it comes to those factors, ASGN is in control. After a record year of performance that has us quickly approaching the inflection point of 50 percent IT consulting revenues, our company's future is bright. We are projecting another year of growth and are tracking in the right direction to achieve our three-year targets.