

CONFERENCE CALL

PREPARED REMARKS FROM:
Theodore S. Hanson, Chief Executive Officer, ASGN Incorporated
Shiv Iyer, President, ASGN Incorporated
Marie L. Perry, Chief Financial Officer, ASGN Incorporated

April 23, 2025

FIRST QUARTER 2025 FINANCIAL RESULTS CONFERENCE CALL
APRIL 23, 2025
PREPARED REMARKS

DISCLAIMER

Certain statements made in these prepared remarks are “forward-looking statements” within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and 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 these prepared remarks 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 successfully adapt, integrate, and leverage developing technologies, including generative AI, 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, 2024, as filed with the SEC on February 24, 2025. We specifically disclaim any intention or duty to update any forward-looking statements contained in these prepared remarks.

KIMBERLY ESTERKIN
Vice President Investor Relations:

Good afternoon. Thank you for joining us today for ASGN's first quarter 2025 conference call. With me are Ted Hanson, Chief Executive Officer, Shiv Iyer, President, Marie Perry, Chief Financial Officer, and Rand Blazer, Executive Vice Chairman.

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
Chief Executive Officer:

Thank you, Kim, and thank you for joining ASGN's first quarter 2025 earnings call.

In-line Performance Bolstered by Strong Bookings

As Kim noted, I am pleased to welcome our new President, Shiv Iyer, to his very first ASGN earnings call. Shiv will make some brief remarks at the close and join us for the Q&A session.

Despite macro uncertainty, revenues of $968.3 million and Adjusted EBITDA margin of 9.7 percent were in line with our guidance expectations for the quarter. We continue to deliver solutions that cater to our clients' IT modernization, efficiency, and cost containment requirements, leading to strong quarterly bookings for both our Commercial and Government Segments. Our IT consulting revenues also grew, reaching roughly 61 percent of total revenues for the first quarter, up from 57 percent in the prior-year period.

As I noted last quarter, we entered the year with a renewed sense of business optimism from our client base. This improvement in confidence faded as the quarter progressed, with clients remaining cautious about increasing their IT spending. Nonetheless, ASGN's unique business model demonstrates resilience across economic cycles, primarily due to our business stabilizers that support our gross margin, along with our variable cost structure which aids in safeguarding our operating leverage. Further, our business model also provides flexible onshore and nearshore teams that help reduce our clients' costs while maintaining our commitment to providing high-value IT services.

Speaking of providing high-value services, in March, we successfully closed our acquisition of TopBloc, a preferred certified Workday Services Partner and recently named Workday Business Impact Partner of the Year. The integration of TopBloc is going well and in the short period of time since the acquisition closed, our Apex and TopBloc teams have already partnered on a number of new consulting opportunities. Importantly, TopBloc is tracking ahead of our bookings, revenue, and Adjusted EBITDA expectations.

While market conditions remain volatile, we are confident that by nurturing our longstanding client relationships, expanding our technology partnerships, and enhancing our solutions capabilities organically and through strategic acquisitions like TopBloc, we will position ASGN favorably for the future. So, let me provide some examples of our differentiated IT solutions capabilities and discuss our segment performance for the first quarter, beginning with Commercial.

Q1 2025 Segment Performance

Commercial Segment – Strong Bookings Driven by Efficiency & Cost Containment Projects

Our Commercial Segment services Fortune 1000 and large mid-market companies. Revenues for the segment were again driven by growth in our consulting business, which improved 4.7 percent year-over-year. Consulting bookings of $336.9 million improved 4.2 percent as compared to the first quarter of 2024 and put our book-to-bill at 1.2 times for the quarter and 1.1 times on a trailing twelve-month basis.

From an industry perspective, we saw growth in our Consumer & Industrial vertical, which improved mid-single digits year-over-year. Improvement in this vertical was driven by double-digit growth in Materials, Utilities, and Consumer Discretionary accounts along with mid-single digit growth in Industrials. While revenues for the remaining four commercial verticals were down year-over-year, within our Healthcare vertical, Pharmaceutical and Biotech accounts were up low-single digits as compared to the first quarter of 2024. Within our TMT vertical, e-Commerce accounts were up mid-teens year-over-year. Finally, within the Financial Services vertical, Diversified Financials saw mid-single digit growth and Regional Banks saw slight growth as compared to the first quarter of 2024. Although the financial services industry is one of the highest spenders on IT, macroeconomic factors such as higher inflation and uncertainty regarding tariffs have driven cautiousness to spend on new projects across the banking sector.

Despite these headwinds, our differentiated IT solutions remain in demand by our diverse, U.S.-based Fortune 1000 clients. Consulting engagements for the quarter focused on AI and data solutions, Gen AI, cybersecurity, cloud, and digital engineering, with projects specifically aimed at promoting cost savings and efficiency. Let me provide a few examples.

For a Fortune 200 consumer and industrial client in the process of modernizing their supply chain, our industry and technical leaders are helping develop and operationalize a data and AI strategy. We are providing a nearshore team of consultants to support the implementation of our client's supply chain optimization solutions using Informatica's cloud-native and AI-augmented platform to support data and machine learning operations. Although enterprise-wide applications of GenAI are still to come, we continue to see AI initiatives like this that focus on high-impact use cases to improve efficiency, reduce costs, and provide deeper data insights.

In another example, for a large health services company, we helped build a scalable, secure, and efficient identity and access management (IAM) platform that supports our client's growth, compliance, and evolving business needs. By migrating to a new IAM platform, our client will be able to better manage data controls and provide appropriate access and governance across their organization. Our scope of work encompasses the application and integration phases of the new IAM platform, including integration across hundreds of different applications, while optimizing workflows and performing thorough testing and validation. Through innovative optimization techniques, we will enhance automation, risk management, and user experience for our client.

Improving data processing, while at the same time driving efficiency and cost savings, remain top priorities across our client base. For a Fortune 100 oil and gas client, for example, we successfully implemented the Databricks Unity Catalog, a unified governance solution. By optimizing compute resources and nightly processing times, we significantly reduced our client's Databricks' costs.

Driving innovation and automation on cloud-based platforms is also in high demand. In the first quarter, we collaborated with a U.S. banking client to create a cloud-first automation framework, integrating APIs and modern engineering practices. By eliminating manual file handling, our client achieved end-to-end automation of their costing process by which they assign fees to their products and services, thereby enhancing their overall workflow efficiency.

Each of these consulting projects involve aspects of intelligent data management, and the usage of AI is increasingly becoming essential to successfully managing enterprise data. Even as companies limit their IT spend, our clients continue to scale their investments in AI. Clients early in their AI journeys are investing in AI workshops and AI literacy trainings to prepare their organizations for future AI usage. Clients further along in their journeys are partnering with us on thought leadership pieces and innovation studies to drive competitive advantages. The most common AI use cases we are currently seeing include the development of agent assistants or copilots, the implementation of GenAI to accelerate the software development lifecycle, the usage of AI tools for code conversion and documentation especially in banking, and leveraging AI for IT operations. With that, let's turn to discuss our Federal Government Segment.

Federal Government Segment – Key Partner on Mission-Critical IT Contracts

Our Federal Government Segment provides advanced IT solutions for the Department of Defense, the intelligence community, and other critical agencies in support of national security.

Although the segment's quarterly revenues declined year-over-year, bookings were strong, with new contract awards totaling $343.1 million for the first quarter. This put our book-to-bill at 1.2 times on both a quarterly and trailing twelve-month basis. In addition, contract backlog was over $3.1 billion at quarter end, or a coverage ratio of 2.6 times the segment's trailing twelve-month revenues.

We are not immune to DOGE, and our first quarter Federal Government Segment revenues and margins saw a slight impact from DOGE's cost-cutting efforts. That said, our solutions capabilities and agency focus remain well-aligned with the administration's priorities. The government will gain efficiency through IT modernization that leverages AI, automation, and a commercial delivery model. ASGN brings those exact services and delivery best practices to our customers, with our core solutions capabilities in AI, cybersecurity, and digital modernization for mission critical defense, national security, and law enforcement programs.

Our government teams consistently led the charge in IT innovation, and during the quarter, we won a new, five-year firm-fixed-price contract with the FBI's Laboratory Division to provide IT modernization services. As the prime awardee on this contract, our team will centralize and modernize information and operational technology, or IT and OT, by streamlining technology usage, powering the FBI's services with AI tools, and automating key processes that enhance the FBI's ability to solve cases and prevent

acts of crime and terror. Our services to the FBI include infrastructure support, cloud integration and modernization, enhanced cybersecurity protection, and improved data governance. The FBI is a long-standing client of ASGN, and this contract represents an additional opportunity to promote the agency's essential missions.

We also support the essential missions of the Department of Defense, and, during the first quarter, our Defense and Intel unit won additional work with the DoD's Chief Digital and AI Office to operate the department's premier AI development environment for innovation at speed and scale. As a mission critical partner, we will collaborate with the DoD on AI innovation workstreams that provide improved operational insight and decision-making capabilities as well as enhance value across global warfighting domains.

Also, during the quarter, we secured a large re-compete contract with a strategic logistics customer. By providing technical expertise and solutions to our customer's engineering and technical support center, we will help them reduce their costs while at the same time drive quality and innovation across their operations.

As illustrated by these three examples, we continue to see a steady flow of work consistent with DOGE's efficiency and IT modernization missions. Nonetheless, as is prudent, we are actively tracking DOGE activities and identifying ways to support our customers with additional work, or to move essential work onto contracts with available ceilings. Although we remain in a Continuing Resolution through September, customers are extending current projects. We expect that defense and national security programs, along with essential citizen services, which together constitute the vast majority of our federal government support, will remain priorities in the new government fiscal year.

With that, I'll turn the call over to Marie to discuss the first quarter results and our second quarter 2025 guidance.

MARIE L. PERRY
Chief Financial Officer:

Q1 2025 Financial Performance and Q2 2025 Financial Estimates

For the first quarter, revenues totaled $968.3 million, a decrease of 7.7 percent year-over-year and in line with our guidance expectations. Given the timing of the acquisition close on March 4, TopBloc contributed less than one month to our first quarter results.

Revenues from our Commercial Segment were $672.2 million, a decrease of 8.1 percent as compared to the prior year. Assignment revenues totaled $382.1 million, a decline of 16 percent year-over-year reflecting continued softness in portions of our Commercial Segment that are more sensitive to changes in macroeconomic cycles. Revenues from commercial consulting, the largest of our high-margin revenue streams, totaled $290.1 million, an increase of 4.7 percent year-over-year.

Revenues from our Federal Government Segment were $296.1 million, a decrease of 6.7 percent year-over-year mainly due to a few programs ending and a slight impact from DOGE as Ted previously noted.

Turning to margins. Gross margin for the first quarter of 2025 was 28.4 percent, an increase of 20 basis points from the first quarter of last year.

Gross margin for the Commercial Segment was 32.4 percent, up 40 basis points year-over-year, reflecting a higher mix of consulting revenues as well as margin expansion in these revenues. Gross margin for the Federal Government Segment was 19.5 percent, a decline of 20 basis points year-over-year, primarily due to higher rates of fringe benefits.

SG&A expense for the quarter was $214.5 million, compared to $210.2 million in the first quarter of 2024. SG&A expenses included $3.3 million in acquisition, integration, and strategic planning expenses, and a $4.4 million one-time write-off related to previously capitalized costs for software enhancements that will no longer be placed into service. As a reminder, these types of costs are not included in our guidance estimates. Excluding these one-time items as well as non-cash expenses, such as depreciation and stock based compensation, SG&A declined by approximately $6 million year-over-year.

For the first quarter, net income was $20.9 million, Adjusted EBITDA was $93.6 million, and Adjusted EBITDA margin was 9.7 percent.

In the quarter, as discussed, we completed our acquisition of TopBloc for $340 million, consisting of 10 percent equity and 90 percent cash, of which approximately $56 million came from our cash balance and the rest was a draw down on our Revolver. In addition, we deployed $50.4 million to repurchase approximately 0.6 million shares at an average share price of $78.44. At quarter end, we had approximately $478.6 million remaining under our $750 million share repurchase authorization.

Also at quarter end, cash and cash equivalents were $107 million and we had $250 million available on our $500 million senior secured revolver. This brings our net leverage ratio to 2.6 times at the end of the first quarter.

Free Cash Flow totaled $6.6 million for the first quarter. Free Cash Flow was lower than we typically see in the quarter primarily due to an increase in DSO, driven by timing issues on certain enterprise accounts. We expect DSO to improve on a go-forward basis.

Turning to guidance. Our financial estimates for the second quarter of 2025 are set forth in our earnings release and supplemental materials. These estimates are based on current market conditions and assume no further deterioration in the markets we serve. Guidance also assumes 63.25 Billable Days in the second quarter, which is 0.25 Billable Days fewer than the year-ago period and 1.25 days more than the first quarter.

Given the overall macro uncertainty, we are widening our revenue guidance range for the quarter. Our revenue estimates incorporate less than a two percent impact from DOGE.

In terms of second quarter margins, while we no longer have as large of an impact from our payroll tax reset as we did in the first quarter, we anticipate that margins will be negatively impacted by the loss of some of our higher gross margin federal work as a result of DOGE cancellations.

With that as background, for Q2 2025, we are estimating: revenues of $985.0 million to $1,015.0 million, net income of $29.3 million to $34.3 million, Adjusted EBITDA of $101.0 million to $108.0 million, and Adjusted EBITDA margin of 10.3 percent to 10.6 percent.

Thank you; I'll now turn the call back over to Ted.

THEODORE S. HANSON
Chief Executive Officer:

Cautious, But Operating Model Well Positioned

Even in the face of macroeconomic uncertainty and factors beyond our control, ASGN performed in line with our revenue and Adjusted EBITDA expectations for the first quarter. Our unique operating model positions us for sustained progress in delivering higher-end, high-value IT services, and despite client IT spending hesitations, our commitment to innovation and customer satisfaction enabled us to deliver strong bookings. The appointment of Shiv as President and the acquisition of TopBloc are pivotal developments that underscore our adaptive and forward-thinking approach, and, as I noted previously, TopBloc is already exceeding our bookings, revenue, and Adjusted EBITDA expectations.

Looking ahead, the resiliency and versatility of our offerings in AI, data, and cybersecurity, in particular, continue to drive demand and affirm our go-to-market approach in these critical areas of client need. Our ability to maintain robust client relationships, while expanding our technology partnerships, provides confidence that we are well prepared to capture future opportunities and enhance shareholder value.

We remain cautious, but hopeful about the go-forward, knowing that our unique delivery model is the fastest and best way for our clients to accelerate their IT investments. It is precisely our innovative contingent labor model and the vast prospects it provides that inspired Shiv, among other reasons, to join the ASGN team, so let me pass the call over to Shiv to share his insights and wrap up our prepared remarks.

SHIV IYER
President:

Officially Welcoming New Leadership

Thanks Ted. I am excited to be part of my first ASGN earnings call. It's a great time for me to join the team and immediately make a positive impact on our Company.

Over the past seven weeks, I've hit the ground running, collaborating closely with our segment teams and engaging with our dynamic leadership. The pace of technological change is staggering, and our clients are constantly looking for the right talent with deep, targeted skills. I am confident that our model, which leverages a combination of internal capabilities and a highly skilled contingent labor force, is the optimal approach in this rapidly evolving technological landscape where maintaining the right IT skillsets is exceedingly challenging through a permanent bench model.

In my initial weeks at ASGN, I've been immersing myself with our commercial consulting teams, rapidly climbing the learning curve while inserting my own expertise when applicable. Having spent the past two decades in the consulting industry, I am thrilled to bring my experience to ASGN to help evolve our strategy and differentiation.

Unfortunately, we are at a point in time where clients must exercise caution with their IT spend. Nonetheless, I've been through these economic cycles before, each time learning something new and growing my knowledge base to emerge even stronger on the other end. While we may be experiencing increased market volatility at the present moment, there is no doubt in my mind that having access to a diverse pool of talent, continuing to focus on our strong account base, and providing the right solutions will allow our Company to stay ahead of the competition. I look forward to seeing ASGN continue to take market share.

Thank you again for joining ASGN's first quarter 2025 earnings call. We will now open up the call to your questions.