CONFERENCE CALL

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

October 27, 2021

THIRD QUARTER 2021 FINANCIAL RESULTS CONFERENCE CALL
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PREPARED REMARKS

KIMBERLY ESTERKIN
ADDO Investor Relations:

Good afternoon and thank you for joining us today for ASGN's third 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 third quarter 2021 earnings call.

Q3 2021 Highlights – Record Financial Performance

ASGN reported very strong results for the third quarter, and I want to thank our entire team for their incredible effort which contributed to such strong performance. I am pleased to report that we came in above the high end of our revenue and Adjusted EBITDA guidance ranges for Q3, which we raised from our initial guidance during our Investor and Analysts' Day conference last month, indicating a continued acceleration of our business. Importantly, all of our businesses, with the exception of CyberCoders, achieved record revenues for the quarter, with CyberCoders' revenues increasing to levels above the third quarter of 2019. Given these strong results, we will be raising our guidance estimates for Q4 2021. Ed Pierce, our CFO, will discuss our updated guidance shortly.

Revenues for the third quarter totaled approximately $1.1 billion, up 18.7 percent year-over-year. Excluding acquisition contributions, revenues improved 14.1 percent year-over-year. Adjusted EBITDA of $136.6 million improved 34.1 percent from the prior-year period.

ASGN has significant capital resources to support investments in our organic growth, M&A and share repurchases. In the third quarter, acquisitions contributed $47.2 million in revenue. We continue to believe that M&A generates the highest return of capital for all of our stakeholders. Our M&A pipeline remains robust, and we recently added a Senior Vice President of Corporate Development to our team to support our company-wide acquisition efforts. Year to date, we also spent $118.4 million in the repurchase of shares and have $131.6 million remaining under our $250.0 million share repurchase plan.

With that said, let's turn to more detail on our segment performance for the quarter, beginning with our largest segment, Commercial, which services large enterprises and Fortune 1000 companies across multiple end markets.

Q3 2021 Segment Performance

Commercial Segment – Impressive Organic Growth

For the third quarter of 2021, the Commercial Segment generated revenue of $774.9 million, up 25.8 percent year-over-year and up 24.1 percent organically. Apex Systems continued to report very strong growth and for the first time Creative Circle and CyberCoders surpassed 2019 quarterly revenues. Each of these operating units also reported their fifth quarter of sequential growth.

From an industry perspective, all five commercial industry verticals for Apex Systems, our commercial IT services and solutions division, experienced growth during the quarter, with every vertical except the Financial Services industry accounts achieving double-digit growth on a year-over-year basis.

Apex System's Commercial & Industrial accounts were up double digits both year-over-year and sequentially due to the continued strength across all sectors with particularly high growth in energy, utilities, airlines and air freight.

Its Technology and Telecommunications, or TMT, vertical was up double digits year-over-year. Within the vertical, technology accounts saw significant growth over Q3 2020, while telecommunications accounts were up high single-digits year-over-year.

Government & Business Services was up double digits, with Aerospace & Defense and Government accounts up mid-single digits for the third quarter, while Business Services accounts grew double digits year-over-year.

Financial Services accounts were up mid-single digits with growth in Regional Banks, Wealth Management and FinTech accounts. Revenues in applications and project management including agile, digital, ERP and cloud continued to perform well. Apex Systems top accounts and retail and branch accounts achieved double-digit growth rates for Q3.

From an industry perspective for the quarter, top account revenue at Apex Systems was up in all five industry verticals we target, while Creative Circle also posted positive growth across their top accounts.

Gross margin for the Commercial Segment was 32.4 percent, up 150 basis points from Q3 of last year due to growth across our high-margin commercial consulting, creative marketing and permanent placement businesses. EBITDA margins were also up due to the associated growth in gross margins, along with higher productivity in our workforce.

We also continued to expand our commercial consulting revenues during the quarter. Commercial consulting revenues totaled $187.6 million, a significant increase of 94.2 percent year-over-year, virtually all of which was organic growth. Our pipelines of booked revenue and future opportunities each continue to grow at high double-digit rates and are trending positively in the fourth quarter.

Consulting offerings in our Commercial Segment remain an important source of the value we provide our clients, and so we continue to identify acquisition opportunities that expand our capabilities in areas in high demand such as cloud, data analytics and AI, agile development, digital transformation and enterprise application implementations.

In the consulting space, we are seeing an increasing amount of work in digital innovation and modern enterprise solutions that enable 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 the support we provide as our clients tie together applications in their cloud environment and strengthen their customer support with real-time data updates. For example, 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 of late.

Federal Government Segment – Another Solid Quarter of Performance

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 Federal Government Segment totaled $298.9 million for the third quarter, up 3.6 percent year-over-year. EBITDA margin also improved during the quarter to total 11.4 percent, up 230 basis points from the third quarter of 2020.

The Federal Government Segment's new business pipeline remained strong, with $430.2 million in new business awarded during the third quarter and a book to bill ratio of 1.44 to 1. Contract backlog totaled $3.1 billion at the end of the third quarter or a healthy coverage ratio of 2.6 times the segment's trailing 12-month revenues.

In Q3, examples of some of the contracts awarded to our Federal Government Segment included: a legacy data consolidation solution contract with the Naval Information Warfare Center to support its work for the Defense Health Agency, including achieving new efficiencies and cost savings; three task orders to support the National Oceanic and Atmospheric Administration with the development of decision support tools such as economic impact models; a five-year prime contract with the U.S. Centcom to provide personnel, supervision and services necessary to support critical missions and operations; and a five-year multiple award prime contract with the General Services Administration to aid the development of manned and unmanned systems for the Department of Defense.

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

EDWARD L. PIERCE
CFO, ASGN:

Q3 2021 Financial Performance and Updated Q4 2021 Financial Estimates

As Ted mentioned, our financial performance for the third quarter exceeded our updated guidance estimates that we announced during our Investor and Analysts' Day conference last month. This performance was driven by year-over-year double digit organic revenue growth, the contribution from the businesses acquired after Q3 of last year and expansion in gross and Adjusted EBITDA margin in both business segments.

For the quarter, revenues were $1.074 billion, up 18.7 percent over Q3 of last year and up 10.1 percent sequentially. The revenue contribution from acquisitions made after Q3 of last year was $42.0 million, or 4.6 percentage points of the year-over-year growth rate for the quarter. Net Income and Adjusted EBITDA were both up year-over-year and sequentially and grew at a higher rate than revenues. Our Adjusted EBITDA margin of 12.7 percent was 140 basis points higher than Q3 of last year, reflecting, among other things, improvement in the business mix and expansion in the gross margins of our two business segments.

Revenues from our Commercial Segment were $774.9 million, up 25.8 percent year-over-year. For the fifth straight quarter, all commercial divisions were up both year-over-year and sequentially. Acquisitions made after Q3 of last year contributed $10.4 million in revenues for the quarter, or 1.7 percentage points of the year-over-year growth rate.

Revenues from our Federal Government Segment were $298.9 million, up 3.6 percent year-over-year and in line with our guidance estimates. This growth was driven by a number of factors, including the effects of new contract awards and the revenue contribution from businesses acquired after Q3 2020 of $31.6 million. As you may recall from prior calls, revenues in Q3 of last year benefited from a high level of spending under two AI/ML cost reimbursable contracts. Normalizing for the revenue surge in Q3 of last year and excluding the contribution from acquisitions, revenue growth for the quarter was low single digits year-over-year.

Gross margin of 28.7 percent exceeded the high end of our updated guidance estimates and was up 260 basis points year-over-year. Both business segments reported year-over-year expansion in gross margin.

Gross margin for the Commercial Segment was 32.4 percent, up 150 basis points year-over-year. This expansion was the result of the double digit growth of our high-margin commercial consulting, creative marketing and permanent placement services.

Gross margin for the Federal Government Segment was up 340 basis points mainly as a result of changes in business mix, which included a lower level of revenues from certain cost reimbursable contracts, the contribution from high-margin businesses acquired after Q3 of last year and higher profitability on two firm-fixed-price contracts whose initial contract term ended during the quarter.

SG&A expenses were $192.7 million and were above our updated guidance estimates because of acquisition-related expenses, which we do not include in our guidance estimates. The year-over-year increase in SG&A expenses was commensurate with the growth in the business, the higher mix of high-margin commercial revenues, which carry a higher SG&A expense component than federal government services, higher headcount investments to support future growth of the business and higher incentive compensation and healthcare expenses, which were both down in 2020 from historical levels.

Income from continuing operations was $66.3 million, up 42.0 percent year-over-year. Adjusted EBITDA was up 34.1 percent year-over-year on revenue growth of 18.7 percent. Our Adjusted EBITDA margin of 12.7 percent was up 140 basis points from Q3 of last year related to the expansion in gross margin.

At quarter end, cash and cash equivalents were $679.4 million. There were no outstanding borrowings under our $250.0 million revolving credit facility, and our Senior Secured Debt leverage ratio was 1.08 to 1.0.

As noted in today's release, we are updating our guidance estimates for the fourth quarter from the estimates we announced during our Investor and Analysts' Day conference last month. Relative to our earlier guidance, we are increasing our revenue estimate by $20.0 million and our Adjusted EBITDA estimate by $5.0 million. Our updated financial estimates for the fourth quarter are set forth in our earnings release and supplemental materials.

For the fourth quarter of 2021, we estimate revenues of $1.01 to $1.03 billion, income from continuing operations of $52.5 to $56.2 million and Adjusted EBITDA of $116.5 to $121.5 million.

We are estimating all divisions will be up year-over-year. At the mid-point of our financial estimates, year-over-year revenue growth for the fourth quarter is approximately 13.3 percent. On a sequential basis, we expect revenues will be down as the fourth quarter has three fewer billable days than the third quarter. However, for the Commercial Segment, we expect revenues per billable day will be up sequentially. For our Federal Government Segment, we expect revenues per billable day will be down because of lower expected revenues from certain cost reimbursable contracts and our decision not to renew two low-margin web services contracts that expired at the end of the third quarter.

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:

Updates on Leadership

ASGN's success continues to be driven by an incredible team effort across our company. Before we open up the call to your questions, I'd like to speak about one of our team members in particular, our President of ECS, George Wilson.

George, as many of you know, has spearheaded our government business since ASGN acquired ECS in 2018. ECS, now referred to as our Federal Government Segment, has had a long history of delivering excellent financial results. George and his leadership team have expertly navigated the federal government marketplace to meet the most critical and complex needs of our clients to reach $1.0 billion in revenues well ahead of our initial expectations.

After much planning and internal discussion, George has decided to retire at the end of this calendar year, and while George's official role as President of ECS will come to an end at the close of this year, he will remain in a consultancy role with ASGN through April 2022.

In George's place, John Heneghan, ECS' current Chief Operating Officer, will assume the role of President. George and John have worked closely together for over two decades, and John has been preparing for this new role as part of our planned succession process over the past two years. John has more than 20 years of experience in emerging technology and digital transformation, IT product development, managed services, business strategy and corporate development. I anticipate that his transition into this new role will be seamless.

On behalf of our Board of Directors and the entire ASGN team, I want to personally thank George for his incredible service to ECS and ASGN. I'd also like to congratulate John on his promotion. John will join us for today's Q&A session.

Thank you again for your time this afternoon and for your continued support of ASGN. This concludes our prepared remarks for the third quarter. We will now open up the call to your questions.