CONFERENCE CALL

PREPARED REMARKS FROM:
Peter T. Dameris, Chief Executive Officer, ASGN Incorporated
Edward L. Pierce, Chief Financial Officer, ASGN Incorporated
Theodore S. Hanson, President, ASGN Incorporated
Randolph C. Blazer, President, Apex Systems, LLC
George Wilson, President, ECS Federal, LLC

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FOURTH QUARTER 2018 FINANCIAL RESULTS CONFERENCE CALL
FEBRUARY 13, 2019
PREPARED REMARKS

JASON TERRY
ADDO Investor Relations:

Good afternoon and thank you for joining us today. With me today are Peter Dameris, Chief Executive Officer, Ted Hanson, President, 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 presentation contains forward- looking statements. Although we believe these statements are reasonable, they are subject to risks and uncertainties and 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 the 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.

Please 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 Peter Dameris.

PETER T. DAMERIS
CEO, ASGN:

During our call today, I will comment on the markets we serve and our financial highlights. Ted, Rand and George will then discuss the performance of our operating segments in greater detail before turning the call over to Ed for a detailed review of our fourth quarter results and our estimates for the first quarter of 2019.

Now on to the fourth quarter results. Revenues for the quarter were $929.7 million, up 36.9 percent year-over-year on a reported basis or 11.8 percent on a pro forma basis. Our growth rate for the fourth quarter was not only higher than the third quarter, it was the fastest quarterly year-over-year growth rate for any quarter in 2018. Our strong performance is indicative of the overall strength of the U.S. economy and labor market and the health of the federal market.

Our IT business continues to see high demand from its customers, driven in part by greater adoption of staff augmentation as a viable alternative to outsourcing, offshoring and consulting. We believe that we are well positioned to continue to service our customers' IT needs as technology rapidly evolves and is adopted.

Our size and service offerings allowed us to grow faster than published IT services industry growth rates and we believe that we are well positioned to generate solid above-market revenue growth in the future. During the quarter, we saw strong double-digit revenue growth at Apex Systems, strong performance from Creative Circle and continued year-over-year growth at Oxford Core and our Oxford Segment. Our Federal IT services and solutions business, ECS, grew revenues at roughly twice the projected annual growth rate of its peer group for 2018. ECS has grown above its peer group's organic growth rate in each of the last three quarters following the acquisition by ASGN. Customer demand was strong across our federal, local, mid-market, and large national accounts.

Adjusted EBITDA was up 31.5 percent year-over-year to $109.0 million and cash generation continues to be at or above our expectations. Our Adjusted EBITDA margin was slightly below the mid-point of our guidance due to $7.1 million in software sales under one of ECS' government contracts (which carry a lower gross margin) and higher than expected flow of revenues from certain of Apex's larger customers (which carry a lower gross margin). Free cash flow was $57.3 million and our leverage ratio was 2.69 times trailing twelve months Adjusted EBITDA at the end of the quarter. For the full year we paid down $286.0 million in debt, including $276.0 million since the closing of the ECS acquisition. Despite normal first quarter seasonality and the payments of cash for the DHA acquisition and annual cash bonuses in the first quarter, the company anticipates that its leverage ratio at the end of the first quarter will be 2.65 times down from 2.69 times at the end of the fourth quarter. As we look ahead to the remainder of 2019, we anticipate our leverage ratio will be below 2.0 times by year-end assuming no further acquisitions.

With respect to recent production at our Apex and Oxford Segments, our weekly assignment revenues, which exclude conversion, billable expenses and direct placement revenues averaged $48.8 million for the last two weeks of the quarter, up 11.2 percent over the same period in 2017.

Our Federal IT services and solutions business continues to see new long-term contract awards, robust spending against existing contracts, and the forward positive benefits of increased funding and visibility of defense, intelligence, and federal civil agency budgets, particularly in the areas of artificial intelligence and machine learning. During the quarter, ECS secured $196.6 million in new awards. George will speak in more detail regarding these recent awards.

On January 28th we announced the acquisition of DHA for our ECS segment. DHA is a provider of mobility, cybersecurity, cloud and IT services to the Federal Bureau of Investigation and other federal customers. DHA's services are delivered primarily through prime, full and open contracts. Its performance reputation in delivering technical support will strengthen ECS' rapidly growing presence across cybersecurity and other operational domains in the national security and intelligence community.

I would now like to turn the call over to Ted Hanson, who will review the operations of the segments.

THEODORE S. HANSON
President, ASGN:

For the fourth quarter, all three segments contributed to ASGN's growth. The Apex Segment, which Rand will review in a few moments, grew 13.1 percent year-over-year and the Oxford Segment grew 4.8 percent from the fourth quarter of last year. The Apex and Oxford markets we serve in IT, Digital/Creative Marketing, Life Sciences and Engineering all remained stable and productive during and exiting the quarter. Secular changes remain in our favor with regards to how our customers are evolving their approach to supporting business needs and getting projects completed. While our staffing services continue to grow, and we take share with greater than market growth rates, our value added service offerings or consultative work are growing at a much faster pace.

The Oxford Segment is comprised of Oxford Core, CyberCoders, our permanent placement business, and Life Sciences Europe. For the fourth quarter of 2018, Oxford Segment revenues were $151.2 million up 4.8 percent year-over-year, or 5.5 percent on a constant currency basis. For the full 2018 year, the Oxford Segment generated $606.5 million in revenues and was up 3 percent year-over-year with all units positively contributing to growth.

Oxford Core revenues, which account for approximately 75.5 percent of the segment revenues, were up approximately 5.6 percent year-over-year, or 6.1 percent on a constant currency basis and in line with our expectations. CyberCoders, our permanent placement service offering, which accounts for 97.4 percent of the segment's permanent placement revenues, had 4.1 percent growth year-over-year, meeting our initial expectations.

Gross margin for the segment was 40.7 percent coming in slightly ahead of initial expectations for the quarter, but down 110 basis points year-over-year due in large part to business mix within the segment.

As we typically do, let me give some color to the progress in Oxford Core. In 2018, Oxford Core returned to a position of year-over-year growth, ending the year with the highest quarterly year-over-year growth rate. Q4 showed varying degrees of performance in each of our four disciplines in the U.S. and Europe with strong growth in our domestic IT and Engineering offerings along with strong growth in our European business. It is a longer road to truly institutionalize our sales strategies and build upon the productivity we have created over the last few quarters. However, we are pleased with the progress we have shown during the course of 2018 and our results provide us confidence that our actions will lead to continued growth, increased productivity and consistently improving bottom line results.

In 2019, the results of our Life Sciences Europe division, the smallest division within the Oxford Segment and ASGN, will be incorporated within the overall Oxford Core results and we will continue to provide commentary on the performance of that business both in the United States and in Europe.

I will now turn the call over to Rand Blazer.

RANDOLPH C. BLAZER
President, Apex Systems:

The Apex Segment, which consists of Apex Systems, Apex Life Sciences and Creative Circle business units, again reported solid results for the quarter and finished a very strong year. Revenues for the Segment in the fourth quarter were $604.6 million up 13.1 percent year-over-year. Revenue for the year was $2.3 billion up 12.9 percent for the full year versus 2017.

Apex Systems, which consists of 76.2 percent of the Segment's revenues in the quarter, continued to lead the way with 14 percent year-over-year revenue growth in the fourth quarter and ended the year with 13.8 percent growth over 2017. Our Creative Circle unit posted solid year-over-year revenue growth for the fourth quarter at 9.8 percent, and our Life Sciences' unit was up 10.9 percent. Gross Margin for the Segment was slightly up year-over-year reflecting stable pricing in our end markets.

Our Segment's EBITDA also grew double digits in the fourth quarter and once again outpaced topline growth both in the quarter and on a full year basis. Our EBITDA performance and conversion of gross profit to EBITDA was driven by revenue growth and continued strong productivity of our sales, delivery and infrastructure teams.

To give a little more color, Apex Systems' revenue growth and performance was broadly driven by the following factors:

- Apex achieved double-digit revenue growth in four of the seven industry verticals we service including: Financial Services, Healthcare, Consumer Industrial, and Technology industry accounts.
- Of the remaining three industry verticals: Aerospace & Defense and Telecommunications accounts grew mid-single digits while Business Services accounts exhibited low-single digit growth year-over-year.
- Growth was achieved in both our top accounts and retail or branch centric accounts with both top accounts and retail accounts growing double digits.
- Growth in our consultative type work remained strong in the quarter and continues to outpace our expectations and our overall revenue growth rate.
- Finally, as mentioned, our field and back office operations exhibited exceptional productivity during the quarter while supporting Apex Systems' EBITDA performance.

Creative Circle's revenue grew just shy of double-digits in the quarter on an as reported basis with growth being driven by Creative Circle's Top Accounts Program and digital marketing skill sets. With this latest quarter's performance, the Creative Circle unit continues to exceed our expectations for overall profitability. Our Life Sciences business revenue growth was also up, again driven by strength in our Life Sciences top accounts and in our clinical skill sets.

Over the past year, we have worked hard to move our Apex Systems and Apex Life Sciences units closer together. These units share the same back office, many same top accounts and today have common field leadership. These past actions have allowed us to achieve certain synergies in our business and strengthen client service as we have built critical mass in our sales and delivery teams and provided our client accounts our full capability across both IT and Life Sciences skill sets. Because of the success of these past actions, beginning in Q1 of 2019, the performance of our Apex Systems and Apex Life Sciences units will be reported as one singular unit, Apex Systems. We will still provide visibility of our Life Sciences performance as the 8th industry within Apex Systems.

In conclusion, the Apex Segment continues to outpace the performance of the overall IT staffing and services industry and yet another solid quarter, wrapping up a successful 2018.

George, I'll turn the call over to you.

GEORGE WILSON
President, ECS:

ECS had very strong performance in the fourth quarter of 2018, both from a financial and operational standpoint. ECS reported revenues of $173.9 million, an increase of 14.0 percent year-over-year and 6.0 percent sequentially against the third quarter of 2018. This growth continues to be ahead of the industry average for peer companies operating in the federal technology space.

We have seen continued strong demand for services and solutions in areas of cybersecurity, cloud, artificial intelligence and digital transformation -- key business areas for ECS. Also, we continue to see increasing customer interest in IT modernization. These are areas where ECS is well positioned to support our clients with deep customer knowledge, the required IT skills, relevant technology partnerships, and the needed contract vehicles.

In the fourth quarter, we received a total of $196.6 million in contract awards for a 1.1 book-to-bill during a seasonally slow quarter. New awards include cybersecurity work supporting the U.S. Federal Bureau of Investigation, cloud managed services for a commercial client, cloud and software development solutions for the U.S. Marine Corps, and digital modernization efforts for the Defense Health Agency. Subsequent to year-end we secured a yet to be announced large cyber award and are looking forward to an even larger book-to-bill ratio in the first quarter of 2019. We see continued strong proposal activity and have a significant backlog of proposals submitted and awaiting award.

At year-end, ECS had $1.4 billion in total contract backlog which equates to a healthy coverage ratio of 2.3 times our trailing twelve-month revenues.

During the fourth quarter, ECS continued to strengthen its technical skills and business partnerships with commercial providers in cloud, cyber, risk management and artificial intelligence.

From a profitability standpoint, ECS’ Adjusted EBITDA grew 3.5 percent compared to the last quarter of 2017.

I will now turn the call over to Ed Pierce to discuss ASGN’s overall financial results.

EDWARD L. PIERCE
CFO, ASGN:

As Peter mentioned earlier, revenues for the quarter were up 11.8 percent year-over-year on a pro forma basis and exceeded our previously-announced estimates by $14.7 million, or 1.6 percent. The favorable variance mainly related to higher revenues from large accounts at Apex and higher revenues at ECS, which included $7.1 million in software sales that had been expected to occur in the first quarter of 2019. The combined effects of changes in foreign exchange rates and differences in "Billable Days" did not have a significant impact on our year-over-year growth rate.

Gross margin for the quarter of 29.2 percent was slightly lower than our previously- announced estimates. This variance was mainly the result of a higher mix of revenues from Apex and ECS, which have a lower margin than our Oxford Segment and a higher mix of revenues from large volume, lower-margin accounts at Apex.

SG&A expenses for the quarter were higher than our previously-announced estimates mainly because of acquisition and integration expenses of $1.8 million, which we do not include in our guidance estimates.

Amortization of intangibles was $13.8 million, up year-over-year as a result of the acquisition of ECS and $4.8 million lower than our guidance estimate. The favorable variance related to a change in the estimated useful life of ECS' backlog intangible asset, which now more closely matches the estimated cash flows of the underlying funded contract awards.

As mentioned in today's release, we have finalized the purchase accounting for ECS and there were no significant changes in asset values from their initial determination. As part of this finalization, we revised the contract backlog estimate as of the acquisition date and re-calculated the book-to-bill ratios for the second and third quarter of 2018. These revisions are included in today's press release.

Interest expense for the quarter was $14.2 million compared with $6.0 million in the fourth quarter of 2017. Interest expense for the quarter was comprised of (i) $12.7 million of interest on the credit facility and (ii) $1.5 million of amortization of deferred loan costs. Sequentially, interest expense was down approximately $0.4 million due to lower average outstanding borrowings, partially offset by a 22 basis point increase in the average interest rate.

Our effective income tax rate for the quarter was 23.7 percent, compared with our guidance estimate of 26.0 percent. The lower rate reflected, among other things, excess tax benefits on stock-based compensation (which we do not include in our guidance estimates) and lower estimated book-to-tax differences for the full year. Our provision for income taxes for the fourth quarter of 2017 included a one-time, non-cash benefit of $31.4 million related to the re-measurement of our net deferred income tax liabilities as a result of income tax reform. This one-time adjustment was the reason net income for the fourth quarter of 2017 exceeded that of the current quarter.

Net Income and Adjusted Net Income were both were above our guidance estimates, but below the fourth quarter of last year because of the one-time tax benefit of $31.4 million. Adjusted EBITDA for the quarter was $109.0 million, up 31.5 percent year-over-year on a reported basis.

Cash flows from operating activities were $63.9 million and free cash flow was $57.3 million, or 6.2 percent of revenues. During the quarter, we repaid $55.0 million of our long-term debt. Accounts receivable "days sales outstanding" was 60.1, 2.6 days more than the end of the preceding quarter. Each day is approximately $10.0 million. The increase in DSO's was mainly related to the government shutdown and have since returned to more normal levels.

For the first quarter of 2019, revenues are estimated to range from $916.6 to $926.6 million, which includes approximately $11.0 million in revenues from DHA.

Excluding DHA, our estimates imply year-over-year pro-forma growth of 8.5 to 9.7 percent on one fewer billable day. On a same "Billable Days" and "Constant Currency" basis, our estimated growth rate ranges from 10.6 to 11.8 percent.

Our sequential growth rate reflects normal seasonal spending patterns of our commercial and government customers, such as lower spending in the first quarter on software and hardware sales to our government customers, ramp up of spending following the completion and release of our customers IT budgets at the beginning of each fiscal year and the effects of the $7.1 million in software sales that occurred in the fourth quarter of 2018, which been expected to occur in the first quarter of 2019. As Peter mentioned earlier, demand and momentum going into 2019 is strong as demonstrated by the growth rate over the last two weeks of 11.2 percent.

Net Income is estimated to range from $35.8 to $39.5 million; Adjusted Net Income from $48.8 to $52.5 million; and Adjusted EBITDA from $96.3 to $101.3 million. Our Adjusted Net Income estimates do not include the quarterly cash tax savings of $7.0 million related to the amortization deduction for goodwill and trademarks.

I will now turn the call back over to Peter for some closing remarks.

PETER T. DAMERIS
CEO, ASGN:

As our quarterly results continue to prove out, our scale, size and breadth of services has us well positioned to benefit during a period of historic secular growth for the services industry. Without doubt, the world of work is changing. Accelerating digital transformation, coupled with favorable labor and immigration legislation and an improving and stable U.S. government market are all market forces occurring in our space. We are optimistic that ASGN is well situated to continue experiencing strong results into the foreseeable future.

The entire ASGN team is pleased with our fourth quarter performance and our results for 2018 as a whole. We entered 2019 with a healthy tailwind in all of our segments and are optimistic that will drive continued performance in the first quarter. As we've stated before, our focus remains on growing the business profitably along with maintaining our healthy rate of growth. To conclude our prepared remarks, I want to take a moment to acknowledge and congratulate our many loyal, dedicated and talented employees whose efforts have enabled ASGN to progress to where we are today. Thank you for your time. I would like to now open the call up to participants for questions.

Operator-