Q3 2016
CONFERENCE CALL

PREPARED REMARKS FROM:
Peter T. Dameris, President and CEO, On Assignment
Edward L. Pierce, CFO, On Assignment
Randolph C. Blazer, President, Apex Systems
Michael J. McGowan, COO, On Assignment, President, Oxford Global Resources
Theodore S. Hanson, Executive Vice President, On Assignment, President, Lab Support, LLC

October 27, 2016

THIRD QUARTER 2016 FINANCIAL RESULTS CONFERENCE CALL
OCTOBER 27, 2016
PREPARED REMARKS

EDWARD L. PIERCE
CFO, On Assignment:

Good afternoon and thank you for joining us today. Before we get started, I would like to remind everyone that our presentation contains forward-looking statements representing our current judgment of what the future holds. Although we believe these statements are reasonable, they are subject to risks and uncertainties and our actual results could differ materially from those statements. Some 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 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 and Adjusted Net Income. 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, our CEO and President, who will provide an overview of our results for the quarter.

PETER T. DAMERIS

President and CEO, On Assignment:

Good afternoon. I would like to welcome everyone to the On Assignment 2016 third quarter earnings conference call. With Ed and me today are Rand Blazer, President of Apex Systems, Michael McGowan, COO of On Assignment and President of Oxford Global Resources and Ted Hanson, Executive Vice President of On Assignment. During our call today, I will give a review of the markets we serve and our operational highlights, followed by a discussion of the performance of our operating segments by Rand and Mike. I will then turn the call over to Ed for a more detailed review and discussion of our third quarter results and our estimates for the fourth quarter of 2016. We will then open the call up for questions.

Now on to our third quarter results. Our results for the quarter exceeded the high- end of our previously announced financial estimates for revenues, were in-line with our estimates for gross profit and adjusted EBITDA and above the mid-point of our guidance on earnings. Revenues for the quarter were $629.4 million, up 10.0 percent year-over-year. This marked the eleventh consecutive quarter that our company grew above the IT staffing industry's projected annual growth rate since January 1, 2013.

Our growth rate reflected, among other things, the deepening of many new larger customer relationships (that we established over the last three years) and higher overall productivity. Virtually all of our divisions contributed to our strong third quarter performance. Our size and service offerings enables us to grow faster than the published staffing industry growth rate of 4 percent and we believe that we are well positioned to generate solid, above-market revenue growth in the future.

Revenue growth came from both our local, mid-market and large national accounts reflecting strong customer demand. We believe, based on current operating performance that this solid growth will continue into the fourth quarter. 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. Wage inflation continues to be manageable. Going forward, due to supply/demand imbalances in IT candidates, we believe our customers, as they have always done, will permit us to increase pay wages for our consultants and thereby increase our bill rates.

With respect to recent production, our weekly assignment revenues, which exclude conversion, billable expenses and direct placement revenues averaged $47.0 million for the last two weeks, up 11.3 percent over the same period in 2015.

Adjusted EBITDA for the quarter was $77.8 million or 12.4 percent of revenues, compared with $74.9 million or 13.1 percent of revenues in the third quarter of 2015.

Cash generation continues to be at or above our expectations. Since the closing of the Creative Circle acquisition on June 5, 2015, we have repaid $200.0 million of our debt. At September 30, 2016, our leverage ratio was 2.38 times trailing twelve months Adjusted EBITDA. During the quarter we repaid $34.0 million of our debt. We estimate our leverage ratio to be approximately 2.33 times by the end of the fourth quarter of 2016. As you all will recall, we announced on June 13, 2016 that our board of directors authorized a new $150 million share repurchase program. Since July 26, we have purchased approximately 572,600 shares at an average price of $36.90. We intend to continue to execute our share repurchase program based on share price and market conditions.

We continue to see signs that the ongoing debate regarding the “on demand” workforce or “gig-economy” is accelerating the usage of contract labor. “Fractionalization of human capital” by using the staffing industry’s services is the only way to avoid the risk of misclassification of employees as independent contractors. Our customers have and are realizing this and that is why we believe the secular growth opportunities for the entire professional staffing industry are so attractive. We also believe that we are well positioned to service our customers' IT needs as technology rapidly evolves and is adopted.

We continue to be sensitive to and conscious of the fears of an economic slowdown in the U.S. To date, we have not seen a significant change in our customers' normal purchasing behavior for our contract assignment services. We continue to see solid demand from the end markets we serve and continue to benefit from the improved productivity of the additional headcount that we added during our hiring surge in the second half of 2014 and 2015 and the deepening of our relationship with several new larger customers.

Ed will give you our fourth quarter guidance shortly. I did, however, want to comment that while the overall revenue growth and profits trend of the company are good, we are not satisfied with the performance at our Oxford IT unit. Throughout the year, we have made sizable investments and over the last twelve months those investments have yet to produce a measurable impact. While we are committed to the investments we have made, we must also start to see a timely return on these investments. In 2016, these investments have cost the Oxford division approximately $2.4 million in increased SG&A and generated revenues of $4.2 million.

My summarization of the third quarter performance and fourth quarter estimates is as follows:
Our revenue growth rate for the third quarter was above the estimated 5 percent growth rate for the IT staffing industry. All divisions performed at or above our expectations.

With that said, our Oxford segment, which is approximately 25 percent of our total revenues, grew slightly below the estimated industry growth rate mainly due to low growth in certain of its skill sets, specifically traditional ERP, engineering and permanent placement. Oxford's Healthcare IT division and its European IT division did report solid growth in the quarter.

Permanent placement is stable but remains challenging. As expected, growth in the third quarter was minimal and CyberCoders, which is part of our Oxford Segment and represents about 61 percent of our total permanent revenues, was down 1.9 percent year-over-year. The fourth quarter of 2016 has a more difficult prior year comparable as consolidated permanent placement growth in the fourth quarter of 2015 was 31.6 percent or 10.6 percentage points higher than the third quarter of 2015.

With respect to our financial estimates for the fourth quarter, our estimated sequential revenue growth rate ranges from 1.4 to slightly over 3 percent after adjusting for 3 fewer business days in the fourth quarter relative to the third quarter. The number of business days in a quarter is simply the number of calendar days, less weekends and holidays. Each business day is approximately $10 million in revenues. On a year-over-year basis, our growth rate for the quarter ranges from 7 to 9 percent after adjusting for one fewer business day. The year-over-year growth rate for the quarter reflects a more difficult prior year comparable as the year-over-year growth rate for Q4 of 2015 was one percentage point higher than the third quarter of 2015.

In our press release, we also included our estimated "billable days" for the quarter, which differ from business days. Our billable days, which we use to formulate our financial estimates, consider other factors in addition to weekends and holidays, such as the day of the week a holiday occurs, additional time taken off around holidays, year-end client furloughs and inclement weather. For the fourth quarter, we estimate billable days of 60, which is 3.1 fewer days than the preceding quarter and 1.6 fewer than the fourth quarter of 2015. Adjusting for the fewer billable days, our estimated year-over-year growth rate for the fourth quarter ranges from 8 to 10 percent and the sequential growth rate ranges from 1.6 to 3.2 percent.

I will now turn the call over to Rand Blazer, President of Apex Systems, who will review the operations of his segment.

RANDOLPH C. BLAZER

President, Apex Systems:

The Apex Segment, which consists of Apex Systems, Lab Support, and Creative Circle business units reported strong results for the quarter. Revenues for the segment were $473.6 million, up 12.0 percent year-over-year.

Revenues from Apex Systems, which accounts for 74 percent of the Segment's revenues, were up 12.1 percent year-over-year. This performance is particularly noteworthy considering quarterly revenue growth for

Apex Systems was 14.8 percent in Q3 2015 on a year-over-year basis. Lab Support's revenue growth was slightly above the growth rate from the prior quarter. Creative Circle reported revenue growth outpacing the growth rate for the segment. The Creative Circle unit continues to perform well, with a year-over-year growth rate for the quarter continuing at our expectations.

Our Gross Margin for the Segment was 30.3 percent, which was in line with our estimates for the quarter and reflects stable pricing in our markets. Our Segment's contribution in terms of EBITDA remained strong with solid conversion of gross profit to EBITDA paced by the increasing productivity of our sales and delivery teams.

With respect to Apex Systems, our IT staffing division, revenue growth was propelled by a number of factors including:

- Growth in six of our seven industry verticals with double digit growth in Aerospace and Defense, Financial Services, and Healthcare. Only our Technology industry accounts did not grow year-over-year. Although, the Technology industry revenue growth in Q3 2015 was our highest industry vertical in terms of revenue growth.
- Growth in our "top" accounts led the way with continued strong revenue growth.
- Apex local branch, mid-market business contributed with double digit growth in Q3.
- And finally, as mentioned, field productivity continued to gain strength in the quarter supporting our revenue performance and conversion rates.

Our Lab Support and Creative Circle units saw continued good opportunities for growth with the opportunity to place creative marketing skillsets remaining strong.

Overall, the Apex Segment had another strong quarter with revenue continuing with double digit growth on a year-over-year basis and with each of its business units contributing very strong conversion of gross profit to EBITDA.

I will now turn the call over to Mike McGowan to discuss the results of our Oxford segment.

MICHAEL J. McGOWAN

COO, On Assignment, President, Oxford Global Resources:

The Oxford Segment is comprised of Oxford Core, CyberCoders, our permanent placement business, and Life Sciences Europe. Our Oxford Core unit accounted for 77.2 percent of Segment revenues, CyberCoders 15.3 percent and Life Sciences Europe 7.5 percent.

For the third quarter of 2016, Oxford Segment had revenues of $155.8 million, up 4.3 percent year-over-year and 1.0 percent sequentially. Assignment revenues were $134.4 million, up 5.4 percent year-over-year and permanent placement revenues were $21.4 million, which was down 2.2 percent year-over-year. The decline in permanent placement revenues reflected lower demand from our technology-based clients, specifically early stage companies and a very tight candidate pool. As we have stated in the past, our clients have had less urgency in filling their permanent employee needs.

Gross margin for the segment was 40.7 percent, down 90 basis points year-over-year, which was primarily due to a lower mix of permanent placement revenues, which was 13.8 percent of segment revenues for the quarter, down from 14.7 percent in the third quarter of 2015.

Oxford Core's revenues for the third quarter were $120.4 million, up 5.8 percent year-over-year. In each of the first three quarters of 2016, Oxford Core had year-over-year revenue growth above the published IT staffing growth rate. This growth was primarily driven by:

- growth in our key accounts,
- increased demand for EMR implementations, upgrades and optimization projects within our Healthcare IT business unit, and
- strong growth across most skill disciplines in our European IT operations.

Throughout 2016, our traditional ERP practice has been relatively flat, which reflects the transition to cloud based computing. Our high-end Engineering skill area has also experienced low growth in line with the published 2016 growth estimates.

During 2016, we have made investments in a number of "emerging skills." While we have begun to see some traction from these investments, it has been below our expectations. As Peter previously mentioned, we are committed to these investments and expect to see higher returns on these investments in the future.

I will now turn the call over to Ed Pierce.

EDWARD L. PIERCE

CFO, On Assignment:

Revenues for the quarter were above the high end of our previously-announced financial estimates. Our revenue growth rate for the quarter was 10.0 percent, which was double the published IT staffing industry growth rate. Assignment revenues were $596.4 million, up 10.6 percent year-over-year and permanent placement revenues were $33.0 million, up 0.7 percent year-over-year. The year-over-year fluctuations in foreign exchange rates had an immaterial effect on the revenue growth rates for the quarter.

Gross margin for the quarter was 32.9 percent, which was below the low end of our previously-announced estimates, and down 60 basis points year-over-year primarily because of a lower mix of permanent placement revenues and higher growth of our high-volume, lower-margin accounts.

SG&A expenses were $142.0 million, or 22.6 percent of revenues. After adjusting for the $0.7 million in acquisition and integration expenses, SG&A expenses were in line with our previously-announced estimates. The acquisition and integration expenses mainly related to the integration activities at Oxford, which should be completed by the end of the year.

Net Income for the quarter was $29.8 million, or $0.55 per share on a diluted basis, up from $24.9 million, or $0.47 per share in the third quarter of last year.

As mentioned in today's press release, starting this quarter we changed our determination of Adjusted Net Income, a non-GAAP measure, to remove the "Cash Tax Savings on Indefinite-lived Intangible Assets" and instead disclose those savings in a footnote to the table that shows our determination of Adjusted Net Income. These tax savings are approximately $6.7 million per quarter or $0.12 per share. Accordingly, Adjusted Net Income for the quarter was $40.0 million, or $0.74 per diluted share, up from $37.2 million, or $0.70 per share in the third quarter of last year. These earnings were in line with our financial estimates after adjusting for the cash tax savings on intangibles.

Adjusted EBITDA, a non-GAAP measure, was $77.8 million, or 12.4 percent of revenues, up from $74.9 million in the third quarter of last year.

Cash flows from operating activities were $42.7 million and capital expenditures were $6.6 million. During the quarter, we paid down $34.0 million of our long-term debt, which reduced our leverage ratio to 2.38 to 1 at the end of the quarter. For the first nine months of 2016, we generated Adjusted EBITDA of $214.3 million, cash flows from operating activities of $140.3 million and free cash flow, a non-GAAP measure, of $119.8 million.

During this period we converted 55.9 percent of our Adjusted EBITDA into free cash flow. The reconciliations of the non-GAAP measures to the comparable GAAP measurements are included in today's press release.

Now turning to our financial estimates for the fourth quarter of 2016, we are estimating revenues of $608.0 to $618.0 million; Net Income of $25.4 to $27.3 million, or $0.47 to $0.51 per diluted share; and Adjusted EBITDA, a non-GAAP measure of $70.5 to $73.5 million. These estimates do not include any acquisition or integration costs.

As we noted in today's press release, our revenue estimates, after adjustment for fewer business days in the quarter, imply year-over-year growth of approximately 7 to 9 percent, which is 2 to 4 percentage points higher than the published growth rate for the IT staffing industry. The growth rate for the quarter reflects a more difficult comparable as the year-over-year growth rate for Q4 2015 was one percentage point higher than the growth rate for Q3 of last year.

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

PETER T. DAMERIS

President and CEO, On Assignment:

We believe our scale, size and breadth of services has us well positioned to take advantage of what we believe will be historic secular growth for the staffing industry and dynamic changes in the technology world as it moves more into the digital one. While the entire On Assignment team is very proud of our performance, we remain focused on continuing to profitably grow our business and increase our rate of growth. I would like to once again, thank our many loyal, dedicated and talented employees whose efforts have allowed us to progress to where we are today. I would like to now open the call up to participants for questions.