Q1 2016
CONFERENCE CALL

PREPARED REMARKS FROM:
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Michael J. McGowan, COO, On Assignment, President, Oxford Global Resources
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April 27, 2016

FIRST QUARTER 2016 FINANCIAL RESULTS CONFERENCE CALL
APRIL 27, 2016
PREPARED REMARKS

DISCLAIMER

Certain statements made in this conference call 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 anticipated financial and operating performance of On Assignment, Inc. (the “Company”) in 2016. All statements in this conference call, 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, the Company makes no assurances that the estimates of revenues, gross margin, selling, general and administrative expenses (“SG&A”), Adjusted EBITDA, income from continuing operations, Adjusted income from continuing operations and related per share amounts, earnings per share or earnings per diluted share set forth above will be achieved. Factors that could cause or contribute to such differences include actual demand for our services, our ability to attract, train and retain qualified staffing consultants, our ability to remain competitive in obtaining and retaining temporary staffing clients, the availability of qualified temporary professionals, management of our growth, continued performance of our enterprise-wide information systems, our ability to manage our potential or actual litigation matters, the successful integration of our recently acquired subsidiaries, the successful implementation of our five-year strategic plan, and other risks detailed from time to time in our reports filed with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC on February 29, 2016. We specifically disclaim any intention or duty to update the statements made in the conference call. Also, subsequent conference calls may have been held, press releases issued or documents containing later or additional information may have been filed with the SEC or New York Stock Exchange or otherwise become available or come into existence. We further disclaim any duty to make any such conference call, press release or any such document or additional information available here, and it should not be assumed that the failure of any such conference call, press release, document or additional information to appear here is an indication that no such conference call has occurred, that no such press release or document exists or that no subsequent additional information which may be material has arisen.

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.

Please note that on this call we will be making references to pro forma information. Pro forma data assume the acquisitions of Creative Circle and a small European Life Sciences business occurred at the beginning of 2015.

For your convenience, our prepared remarks can be found in the Investor Relations section of our website at www.onassignment.com.

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 first 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 first quarter results and our estimates for the second quarter of 2016. We will then open the call up for questions.

Now on to our first quarter results. Our results for the quarter exceeded the high end of our previously announced financial estimates for revenues, gross profit, earnings and Adjusted EBITDA. Revenues for the quarter were $582.0 million, up 35.3 percent year-over-year on an as reported basis and up 17.7 percent on a pro forma basis. This marked the fourth consecutive quarter of accelerating revenue growth.

Our growth rate reflected, among other things, the contributions from our "hiring surge" of sales and recruiting consultants that began in the second half of 2014 and higher overall productivity. Virtually all of our divisions contributed to our strong first quarter performance.   Our size and service offerings enables us to grow faster than the published staffing industry growth rate of 6 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 performance that this solid growth will continue. Our IT business continues to see high demand from our customers, driven in part by greater adoption of staff augmentation as a viable alternative to outsourcing, offshoring and consulting.

With respect to recent production, our weekly assignment revenues, which exclude conversion, billable expenses and direct placement revenues averaged $44 million for the last two weeks, up 18.1 percent over the same period in 2015.

Adjusted EBITDA for the quarter was $62.4 million or 10.7 percent of revenues, up from $38.7 million or 9.0 percent of revenues in the first quarter of 2015 on an as reported basis. As a reminder, our gross and Adjusted EBITDA margins are lower in the first quarter of every year due to payroll tax resets.

Integration, coordination and cash generation related to our acquisitions continue to be at or above our expectations. Since the closing of the Creative Circle acquisition, we have repaid $134.0 million of our debt. Our current leverage ratio is 2.80 times trailing twelve months Adjusted EBITDA. We estimate our leverage ratio to be approximately 2.65 times by the end of the second quarter of 2016.

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.

While we are 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. Those productivity levels are in-line with our expectations.

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 $433.2 million, up 20.8 percent year-over-year on a pro forma basis.

Revenues from Apex Systems, which accounts for 73.6 percent of the Segment's revenues, were up 21.5 percent year-over-year. This performance reflects, among other things, higher demand in our end markets and continued improved contribution from our field sales teams. Lab Support's revenue growth was also strong with growth rates higher than the previous 4 quarters. Creative Circle, which was acquired on June 5, 2015, reported revenues above our expectations. This unit continues to perform well, with a year over year pro forma growth rate for the quarter at a high rate.

Our Gross Margin for the Segment was 29.1 percent, which was slightly lower than our estimates. Increased growth from Apex's top accounts, which revenue typically carries a lower gross margin, was the biggest contributor to the shortfall. Our Segment's contribution in terms of EBITDA continued strong with increased conversion of gross profit to EBITDA on a year over year basis.

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

- Double digit Q1 revenue growth on a year-over-year basis in our accounts in all seven industry verticals we service.
- Growth in our "top" accounts led the way with continued revenue acceleration.
- Apex local branch mid-market business contributed with high single digit growth rates in Q1, and
- Sales force productivity also grew nicely in the quarter supporting our revenue performance and conversion rates.

Our Lab Support and Creative Circle units are seeing continued good opportunities for growth with the market for creative marketing remaining solid.

Overall all the divisions that make up the Apex Segment had a strong performance quarter.

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 includes Oxford, CyberCoders, our perm placement business, and Life Sciences Europe.

The Segment had revenues of $148.9 million for the first quarter of 2016, up 11.0 percent year-over-year. Gross margin for the quarter was 41.4 percent, down 20 basis points year-over-year primarily due to our business mix.

Oxford's revenue for the first quarter was $114.0 million, which comprises 76.6% of the segments revenues were up 10.4 percent year-over-year. Oxford's gross margin for the period was 32.3 percent, slightly higher than the 32.1 percent reported in the first quarter of 2015.

Oxford has had continued consolidated year-over-year growth throughout 2015 and into 2016. This improvement was driven by:

- Growth in our larger, key accounts,
- Continued sharp focus on assigning consultants within our targeted skill disciplines,
- Increased demand for EMR implementations, upgrades and optimization projects,
- And ongoing demand for coding and consulting services.

Our segment's permanent placement revenues, virtually all from CyberCoders, were $21.5 million, up 9.1 percent year-over-year on a pro forma basis. While our growth rate was above published industry growth rates for the quarter, it was lower than previous quarters. We believe that the slower growth which we started seeing at the beginning of the year, is related to uncertainty surrounding the health of the U.S. and global economy and customers having less urgency in filling their permanent employee needs. We do however believe that we will grow our permanent placement revenues at or above industry growth rates for the rest of 2016. Moreover, we will continue to invest in new technology that will more efficiently identify and match relevant candidates to our open job orders.

Our European revenues grew to $25.2 million in the first quarter, up 21.2 percent year-over-year on a pro forma basis.

The Segment's consolidated revenue growth was the result of varying degrees of year-over-year growth in all our disciplines and business units.

Finally, throughout the first quarter and into the second quarter, we have made investments in headcount to focus on the high-end digital needs of our clients.

I will now turn the call over to Ed Pierce.

EDWARD L. PIERCE

CFO, On Assignment:

Before I review our financial results for the quarter, please note that we have revised certain of the supplemental financial information tables in our earnings release. As you will see, we added pro forma and constant currency data by Segment. Because of the immaterial effect on the quarter of the year-over-year fluctuations in foreign exchange rates, we will not be making further references to constant currency on this call.

As Peter mentioned earlier, our financial results for the quarter were above the high-end of our previously announced estimates. Our pro forma revenue growth rate for the quarter was 17.7 percent. Excluding the contribution from the two businesses acquired in the second quarter of last year, revenues were up 16.9 percent year-over-year.

Our assignment revenues were $549.6 million, up 18.1 percent year-over-year on a pro forma basis. The year-over-year growth rate for the quarter was over 4 percentage points higher than the preceding quarter. The higher growth rate in part benefited from one additional billing day during the quarter and an easier prior year comparison as Q1 of last year was the lowest growth rate quarter of 2015.

Our permanent placement revenues were $32.5 million, up 11.3 percent year-over-year on a pro forma basis, which was significantly lower than the preceding quarter. The lower growth rate reflects the market conditions that Mike discussed earlier, as well as an easier year-over-year comparison for Q4 of last year.

Our gross margin for the quarter was 32.3 percent, which was slightly below our previously-announced financial estimates. The slight compression in margin was primarily mix driven as Apex Systems reported higher than expected revenue growth, and there was a lower mix of permanent placement revenues. As we have stated before, Apex Systems has a lower gross margin than certain of our other units, but a higher conversion of gross profit into Adjusted EBITDA due to its scale and operating efficiency.

SG&A expenses were $139.9 million, or 24.0 percent of revenues. Our Adjusted SG&A Expenses, which exclude the $2.3 million in acquisition, integration and strategic planning expenses, which we do not include in our financial estimates, and non-cash expenses of $12.2 million, were $125.3 million, or 21.5 percent of revenues. Our Adjusted SG&A Expenses were $1.8 million, or 1.5 percent, above the high end of our previously announced estimates for SG&A expenses, which was primarily due to commissions on higher than estimated gross profit, higher bonus accruals and investments in some new digital practice areas.

The Adjusted SG&A Expense margin of 21.5 percent for the quarter was 1.1 percentage points lower than Q1 of last year as a result of improved operating efficiency. This year-over-year improvement was achieved despite the incremental costs of the hiring surge in the second half of 2015 of $1.0 to $1.5 million, higher incentive bonus accruals as operating performance in the current quarter was in line with or above our incentive targets (whereas operating performance in Q1 of last year was generally below our targets) and the cost of investments in new practice areas.

Non-cash SG&A expenses were in line with our previously announced estimates.

Regarding the $2.3 million in acquisition, integration and strategic planning expenses, virtually all related to the integration of certain operating units onto Oxford's front and back office systems. Most of this work has been completed and beginning next quarter we expect to see lower integration costs.

Adjusted income from Continuing Operations for the quarter was $35.4 million, or $0.66 cents per diluted share. The calculation of Adjusted Earnings per diluted share is set forth in our press release.

Adjusted EBITDA (a non-GAAP measure also defined in our press release) was $62.4 million, or 10.7 percent of revenues.

Cash flows from operating activities were $37.3 million and capital expenditures were $7.3 million. During the quarter, we paid down $33.0 million of our long-term debt.

Now turning to our financial estimates for the second quarter of 2016, we are estimating revenues of $592.0 to $602.0 million; Adjusted Income per Diluted Share of 76 to 79 cents and Adjusted EBITDA of $71.0 to $74.0 million. These estimates do not include any acquisition, integration or strategic planning costs. Our revenue estimates imply pro forma year-over-year growth of approximately 12 percent, which is about two times higher than the published industry growth rate.

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.