Q2 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

July 27, 2016

SECOND QUARTER 2016 FINANCIAL RESULTS CONFERENCE CALL
JULY 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. We will also be referencing pro forma data, which assume the acquisitions of Creative Circle and a small European Life Sciences business occurred at the beginning of 2014.

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

Now on to our second 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 $608.1 million, up 13.7 percent on a pro forma basis. This marked the tenth 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 contributions from our "hiring surge" of sales and recruiting consultants that began in the second half of 2014, the deepening of many new larger customer relationships (that we established over the last 3 years) and higher overall productivity. Virtually all of our divisions contributed to our strong second 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 operating performance that this solid growth will continue. 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 is manageable, but within certain of our larger financial services customers, we are seeing price sensitivity. As you may know, the financial services industry has been trying to contain costs due to their own internal profit challenges. However, due to supply/demand imbalances in IT candidates, we believe our customers, as they have always done, will adjust their pricing expectations to meet the realities of the current labor market.

With respect to recent production, our weekly assignment revenues, which exclude conversion, billable expenses and direct placement revenues averaged $42.6 million for the last two weeks, up 8.5 percent over the same period in 2015.

Adjusted EBITDA for the quarter was $74.1 million or 12.2 percent of revenues, up from $56.0 million or 11.5 percent of revenues in the second quarter of 2015 on an as reported basis.

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 $166.0 million of our debt. At June 30, 2016, our leverage ratio was 2.55 times trailing twelve months Adjusted EBITDA. We estimate our leverage ratio to be approximately 2.4 times by the end of the third 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. From June 14 to July 26, we have purchased approximately 215,000 shares at an average price of $37.32. 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.

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 the Apex Systems, Lab Support and Creative Circle business units, reported strong results for the quarter. Revenues for the Segment were $453.7 million, up 16.5 percent year-over-year on a pro forma basis.

Revenues from Apex Systems, which accounts for 74.0 percent of the Segment's revenues, were up 18.3 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 below our expectations with a single digit growth rate over Q2 2015. Creative Circle reported revenue growth that just slightly outpaced the growth rate for the segment. This unit continues to perform well, with a year-over-year pro forma growth rate in the high teens.

Our gross margin for the Segment was 30.5 percent. While top account growth remains strong, growth from local branch mid-market accounts, which typically carries a higher gross margin, increased its growth rate in the quarter over the previous quarter. This slight shift in revenue mix contributed to our gross margin improvement. Our Segment's contribution in terms of EBITDA continued to be strong with EBITDA growing at a faster rate than revenues thereby increasing our conversion of gross profit to EBITDA on a year-over-year basis.

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

- double digit year-over-year revenue growth in Q2 in six out of the seven industry verticals we service and a high single digit growth rate in the remaining industry vertical;
- growth in our "top" accounts led the way with continued strong revenue growth;
- Apex local branch and mid-market business grew double digits in Q2; and
- finally, field productivity continued to strengthen in the quarter supporting our revenue performance and conversion rates.

Overall, the Segment had a strong quarter with quarterly revenue continuing its double digit growth on a year-over-year basis, with each of its business units contributing 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 includes Oxford, CyberCoders, our perm placement business, and Life Sciences Europe.

The Segment had revenues of $154.4 million for the second quarter of 2016, up 6.3 percent year-over-year on a pro forma basis and 3.7 percent sequentially. Gross margin for the quarter was 41.4 percent, down 20 basis points year-over-year primarily due to overall business mix.

The Oxford business unit's revenues for the second quarter, which accounts for 77.1 percent of the Segment's revenues, were $119.0 million, up 8.4 percent year-over-year and sequentially up 4.4 percent. Oxford's gross margin for the quarter was 32.7 percent, 100 basis points higher than the reported results for the second quarter of 2015.

The Oxford business unit has had consolidated year-over-year growth throughout 2015 and through the second quarter of 2016. In the second quarter we saw strong sequential growth in the majority of our skill disciplines. This improvement was driven by:

- growth in our key accounts;
- continued sharp focus on assigning consultants within our targeted skill disciplines; and
- increased demand for EMR implementations, upgrades and optimization projects.

Our Segment's permanent placement revenues declined 3.2 percent year-over-year to $21.4 million and was driven partially by decreased demand from our West Coast technology clients, specifically early stage companies, lengthening in the time our clients are taking to make hiring decisions and a very tight candidate pool. In addition, our clients also had less urgency in filling their permanent employee needs. While we have seen year-over-year growth in our non-tech clients, our overall growth rate has slowed.

The Segment's Life Sciences revenues were $11.6 million for the second quarter of 2016, up 7.4 percent year-over-year on a pro forma basis. Revenues were also up 4.1 percent sequentially over the first quarter of 2016.

I will now turn the call over to Ed Pierce.

EDWARD L. PIERCE

CFO, On Assignment:

Revenues and Adjusted EBITDA for the quarter were above the high end of our previously-announced financial estimates. Net income was also above the high end after adjusting for the $1.5 million in acquisition and integration expenses, which consistent with past practice, we do not include in our financial estimates.

Our pro forma revenue growth rate for the quarter was 13.7 percent, which was more than double the industry growth rate. Assignment revenues were $574.4 million, up 14.4 percent year-over-year on a pro forma basis and permanent placement revenues were $33.7 million, up 3.0 percent year-over-year on a pro forma basis. 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 33.2 percent, which was in-line with our previously-announced estimates, but down 40 basis points year-over-year on a pro forma basis, primarily because of a lower mix of permanent placement revenues and higher growth of our high-volume, lower-margin accounts.

SG&A expenses were $141.4 million, or 23.2 percent of revenues. After adjusting for the $1.5 million in acquisition and integration expenses, SG&A expenses were slightly above our previously announced estimates. The acquisition and integration expenses primarily related to the integration of certain operating units onto Oxford's front and back office systems. We believe that, for the most part, this integration will be completed by the end of the year. In addition to the integration expenses, SG&A included approximately $0.6 million in expenses related to the rationalization of our operations in Europe, including early lease terminations and employee severance and to a foreign exchange loss on indebtedness related to the purchase of LabResource.

Net Income for the quarter was $26.0 million, or $0.48 per share on a diluted basis, up from $14.3 million, or $0.27 per share in the second quarter of last year.

Adjusted Net Income, a non-GAAP measure, was $43.0 million, or $0.80 cents per diluted share, up from $32.3 million, or $0.61 per share in the second quarter of last year. Adjusted EBITDA, a non-GAAP measure, was $74.1 million, or 12.2 percent of revenues, up from $56.0 million in the second quarter of last year. The reconciliations of Net Income to Adjusted Net Income and to Adjusted EBITDA are included in today's press release.

Cash flows from operating activities were $61.1 million and capital expenditures were $6.6 million. During the quarter, we paid down $32.0 million of our long-term debt and paid the Creative Circle acquisition earnout of $15.8 million.

Now turning to our financial estimates for the third quarter of 2016, we are estimating revenues of $618.0 to $628.0 million; Net Income of $28.7 to $30.5 million, or $0.53 to $0.56 per diluted share; Adjusted Net Income per diluted share, a non-GAAP measure of $0.83 to $0.86; Adjusted EBITDA, a non-GAAP measure of $77.0 to $80.0 million. These estimates do not include any acquisition or integration costs.

As we noted in today's press release, our revenue estimates imply year-over-year growth of approximately 8 to 10 percent, which is two to four percentage points higher than the published industry growth rate for the year. The growth rate for the quarter reflects a more difficult comparable as the year-over-year growth rate for Q3 2015 was 4.7 percentage points higher than the growth rate for Q2 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.