CONFERENCE CALL

PREPARED REMARKS FROM:
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July 25, 2018

SECOND QUARTER 2018 FINANCIAL RESULTS CONFERENCE CALL
JULY 25, 2018
PREPARED REMARKS

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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 ASGN Incorporated (the "Company"). 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"), amortization, effective tax rate, net income, diluted shares outstanding, contract backlog, Adjusted EBITDA, Adjusted Net Income and related per share amounts (as applicable) discussed 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 clients, the availability of qualified contract professionals, management of our growth, continued performance and improvement of our enterprise-wide information systems, our ability to manage our litigation matters, the successful integration of our acquired subsidiaries, and other risks detailed from time to time in our reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on March 1, 2018 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, as filed with the SEC on May 10, 2018. 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, ASGN:

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 and George Wilson, President of ECS.

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 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.

PETER T. DAMERIS
CEO, ASGN:

Welcome to the ASGN 2018 second quarter earnings conference call. 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 second quarter results and our estimates for the third quarter of 2018.

Now on to the second quarter results. Across all of our guided metrics, our results for the quarter were above our previously-announced financial estimates. Revenues for the quarter were $878.5 million, up 34.5 percent year-over-year on a reported basis or 10.1 percent on a pro forma basis. Our growth rate accelerated during the second quarter and reflected, among other things, the deepening of many large customer relationships established over the last five years, a healthy U.S. economy and Federal marketplace and the continuing increase in the rate of adoption of our delivery model.

Q2 marked the 18th consecutive quarter that our company grew above the IT staffing industry's projected annual growth rate. Our size and service offerings allow 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 and Creative Circle and a return to year-over-year growth at Oxford Core and our Oxford segment. Our European Life Sciences business saw strong performance and our Federal IT services and solutions business grew revenues almost two times its peer group. Customer demand was strong across our federal, local, mid-market, and large national accounts.

Adjusted EBITDA was up 32.4 percent year-over-year to $106.6 million and cash generation continues to be at or above our expectations. Free cash flow, a non-GAAP measure, was $68.4 million, up from $33.4 million in the prior year period. During the quarter, we reduced our leverage ratio to 3.2 times at the end of the second quarter. We expect that we will be able to further pay down approximately $55 million of our debt and could reduce our leverage ratio to approximately 3.0 times trailing twelve months Adjusted EBITDA by the end of the third quarter.

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 $51.6 million for the last two weeks, up 5.1 percent over the same period in 2017. Both measurement periods include the impact of the July 4th holiday. As for ECS, we estimate revenues will range between $157 and $160 million for the third 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. We believe that we are well positioned to continue to service our customers' IT needs as technology rapidly evolves and is adopted.

We also 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, creating attractive secular growth opportunities for the entire professional staffing industry.

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 civilian agency budgets, particularly in the areas of artificial intelligence and machine learning. During the quarter, ECS secured $162.4 million in new awards.

As a reminder, we announced the closing of the ECS Federal acquisition on April 2nd. ECS delivers cyber security, cloud, DevOps, IT modernization and advanced science and engineering solutions to the U.S. Federal government. ECS's service offerings nearly doubles our addressable end market to $279 billion as we enter the $129 billion Government Services space and ECS's highly specialized skill offerings strengthen our position as a premier human capital provider and complements our highly technical IT offerings. ECS's domain expertise and first-hand experience will position our combined company well to support commercial engagements in cyber security, artificial intelligence and biometrics.

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

THEODORE S. HANSON
President, ASGN:

The Oxford Segment is comprised of Oxford Core, CyberCoders, our permanent placement business, and Life Sciences Europe. For the second quarter of 2018, Oxford Segment revenues of $155.8 million were up 3.3 percent year-over-year, which is an acceleration from the 1.8 percent year-over-year growth rate in the first quarter. Compared to the prior quarter, revenues increased 6.3 percent for the segment on a sequential basis.

Oxford Core revenues, which account for approximately 73.6 percent of the segment revenues, were up approximately 1.5 percent year-over-year, 4.7 percent sequentially and exceeded our initial expectations. CyberCoders, our permanent placement service offering, which accounts for 96.0 percent of the segment's permanent placement revenues, had 10.8 percent growth year-over-year, and 16.9 percent sequential growth. CyberCoders entered the second quarter with momentum and it remained throughout the quarter with revenues meeting our initial expectations. Our Life Sciences offerings in Europe were up year-over-year and sequentially for the second quarter on a constant currency basis. The results were stronger than our initial expectations. Demand for our Life Sciences skillsets in the geographic markets we serve remains solid.

Gross margin for the segment was 42.0 percent, up 40 basis points year-over-year due to business mix within the segment.

Based on the performance I have just outlined and better expense management and productivity within the Oxford Core unit specifically, the Segment's Adjusted EBITDA results exceeded our expectations, increasing year-over-year by 7.7 percent. There has been much hard work focused on improving lost EBITDA margin at Oxford Core, and the latest quarter’s results continue to reflect that.

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. Segment revenues of $567.6 million were up 12.9 percent year-over-year, an acceleration from its first quarter year-over-year growth rate of 11.6 percent.

Apex Systems, which accounts for 75.1 percent of the segment's revenues, grew its revenues year-over-year by 13.4 percent in the second quarter. Our Creative Circle unit grew its revenues 10.3 percent, and our Life Sciences' unit, including Stratacuity, which accounts for 7.8 percent of segment revenues, grew its revenues 15.0 percent on an as reported basis.

Gross Margin for the Segment was in-line with the prior year period reflecting stable pricing in our end markets.

Our Segment's EBITDA also grew double digits, as we saw efficient conversion of gross profit to EBITDA, which was mainly driven by continued strong revenue growth and productivity of our sales, delivery and infrastructure teams.

As we usually do on these calls, we give you insights on some factors driving Apex Systems performance, our principal IT Services business unit. Apex Systems' revenue growth was propelled by a number of factors including:

- Continued growth in our accounts in all industry verticals we service, with double-digit revenue growth in four of the seven industry verticals including: Financial Services, Healthcare, Consumer Industrial, and Technology Industry accounts
- Of the remaining three industry verticals, Aerospace & Defense and Business Services accounts grew high single digits and Telecommunications accounts exhibited positive mid-single digit growth year-over-year
- Growth was also achieved in both our top accounts and retail or branch centric accounts with top accounts growing double digits and outpacing our overall revenue growth. Retail accounts also posted mid-single digit growth rates
- Our bookings for SOW type work continue to remain strong in the quarter and, as has been reported in previous quarters, significantly exceeded our expectations for growth, and
- Finally, as previously mentioned, a focus on field and back office productivity during the quarter supported Apex Systems' EBITDA performance

Creative Circle's revenue and profitability growth in the quarter exceeded our initial expectations. The end market for creative marketing remains positive and we continue to see more growth in corporate business as our accounts are shifting more work internally versus using Ad agencies for support. This trend is a positive for the use of our services by our customers. Our Life Sciences business revenue growth was also up double digits on an as reported basis and exceeded our expectations for both revenue growth and EBITDA margins.

Overall, the Apex Segment had yet another solid quarter and continues to significantly outpace the growth rate of the overall industry.

I will now turn the call over to George Wilson.

GEORGE WILSON
President, ECS:

As this is my first earnings conference call with ASGN, I would first like to take a moment to say that I am pleased to be speaking with you all today and look forward to highlighting ECS's solid performance in the second quarter, from both a revenue and profitability standpoint.

ECS reported revenues of $155.1 million, an increase of 7.1 percent year-over-year and 4.1 percent sequentially on a pro forma basis. This growth was ahead of the industry average for peer companies operating in the federal IT services space. Over 80 percent of the work was performed as the prime contractor.

Demand for IT services and solutions has increased over the prior year, and under the current administration, federal spending is expected to continue to increase at least into the near term, particularly in the areas of cybersecurity and cloud solutions --- two key business areas for ECS. The recent budget deal and appropriations bill have also driven increased funding for IT modernization investments that ECS is well-positioned to support through current customer knowledge and contract vehicles. We are currently experiencing a high level of proposal activity, which we believe is due, in part, to a compressed window of the traditional federal buying season and pent up demand following several years of continuing resolutions and delayed passage of the federal budget.

At the end of the second quarter, ECS had $1.4 billion in total contract backlog resulting in a healthy coverage ratio of 2.3 times our trailing twelve month revenues. Our contract backlog provides good visibility into future revenues and includes the value of negotiated contracts that have been awarded to ECS, less revenues that have been previously recognized. Our backlog does not include any estimate of future potential task orders that might be awarded under IDIQ or GSA schedule contract vehicles.

ECS continues to strengthen our technical skills and business partnerships with commercial providers in cloud, cyber, risk management, artificial intelligence and machine learning. The Segment was recently awarded the Machine Learning Competency Status from Amazon Web Services and continues to deliver critical solutions to customers in Defense and Intelligence communities.

From a profit standpoint, we saw nice year-over-year growth attributed to higher top line revenues, reduced indirect expenses, and leveraging of fixed costs over a larger base. I will now turn the call over to Ed Pierce to discuss ASGN's overall financial results.

EDWARD L. PIERCE
CFO, ASGN:

Our consolidated operating results for the second quarter include the results of ECS for the full quarter. On a reported basis, revenues for the quarter were up 34.5 percent year-over-year and 10.1 percent on a pro forma basis, which assumes the acquisition of ECS occurred at the beginning of 2017. Revenues from ECS totaled $155.1 million and accounted for 17.7 percent of our consolidated revenues.

Differences in Billable Days and changes in foreign exchange rates had an insignificant effect on our year-over-year growth rate. Revenues for the quarter included $5.9 million in revenues from Stratacuity, which was acquired in August of last year.

Gross margin for the quarter was 30.0 percent, which was at the high-end of our previously-announced financial estimates.

SG&A expenses were $179.6 million, or 20.4 percent of revenues, which included $3.5 million in one-time expenses related to the ECS acquisition that were not included in our previously-announced financial estimates.

Interest expense was $20.6 million, up from $6.1 million in the second quarter of 2017. Interest expense for the quarter was comprised of $13.3 million of interest on the credit facility, one-time expenses of $5.8 million related to the amendment of our credit facility to fund the acquisition of ECS and $1.5 million of amortization of deferred loan costs.

Our effective tax rate was 25.5 percent, which was lower than our previously-announced estimate primarily related to excess tax benefits on stock-based compensation, which we do not include in our financial estimates.

Net Income was $33.6 million, or $0.63 per diluted share, up from $33.1 million, or $0.62 per diluted share, in the second quarter of last year. Adjusted Net Income, a non-GAAP measure, which among other things, adjusts for amortization of intangible assets and acquisition, integration and strategic planning expenses and credit facility amendment expenses, was $58.7 million, or $1.11 per share, up from $41.5 million, or $0.78 per share, in the second quarter of 2017. As we previously stated, ECS was accretive to our adjusted net income and related per share amounts.

Adjusted EBITDA for the quarter was $106.6 million. Reconciliations of Net Income to Adjusted Net Income and to Adjusted EBITDA, both non-GAAP measures, are included in today's press release.

Cash flows from operating activities were $76.7 million and free cash flow, a non-GAAP measure, was $68.4 million, or 7.8 percent of revenues. During the quarter, we repaid $133.0 million of our long-term debt.

Now moving on to our overall financial estimates for the third quarter of 2018. We are estimating revenues of $888.0 to $898.0 million; Net Income of $37.9 to $41.6 million, or $0.71 to $0.78 per diluted share; Adjusted Net Income of $56.2 to $59.8 million, or $1.06 to $1.13 per diluted share; and Adjusted EBITDA of $103.0 to $108.0 million. Adjusted Net Income does not include the cash tax savings related to the amortization deduction of goodwill and trademarks. Our revenue estimates for the quarter imply year-over-year growth of 8.3 to 9.5 percent, which is more than two times higher than the estimated growth rate of the IT staffing industry for 2018.

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

PETER T. DAMERIS
CEO, ASGN:

We continue to 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 services industry. Undoubtedly, the world of work is changing. The accelerating digital transformation, along with favorable labor and immigration legislation and an improving U.S. government market are all market forces that will help propel ASGN into the future.

While the entire ASGN team is very proud of our performance, we remain focused on continuing to profitably grow our business and increase our rate of growth. We would like to once again, 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.