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

October 24, 2018

THIRD QUARTER 2018 FINANCIAL RESULTS CONFERENCE CALL
OCTOBER 24, 2018
PREPARED REMARKS

LAURA BAINBRIDGE
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:

Welcome to the ASGN 2018 third 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 third quarter results and our estimates for the fourth quarter of 2018.

Now on to the third quarter results. Across all of our guided metrics, our results for the quarter were above our previously-announced estimates. Revenues for the quarter were $906.4 million, up 35.9 percent year-over-year on a reported basis or 10.5 percent on a pro forma basis. Our growth rate for the third quarter was up over 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.

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 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 the last two quarters since it was acquired by ASGN. Customer demand was strong across our federal, local, mid-market, and large national accounts.

Adjusted EBITDA was up 35.3 percent year-over-year to $112.9 million and cash generation continues to be at or above our expectations. Free cash flow was $84.6 million and our leverage ratio was 2.89 times trailing twelve month Adjusted EBITDA at quarter-end. Year-to-date we have paid down $231.0 million in debt and expect to pay down at least an additional $60.0 million before the end of the year, resulting in a leverage ratio at year end of approximately 2.7 times.

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 $56.3 million for the last two weeks, up 13.8 percent over the same period in 2017. As for ECS, we estimate revenues will range between $160.0 and $165.0 million for 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. 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 $306.4 million in new awards. George will speak in more detail regarding these recent awards.

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 third quarter, all three segments contributed to ASGN's growth. The Apex Segment, which Rand will review, grew 14.0 percent year-over-year, which is an increase from the 12.9 percent growth rate in Q2 2018, and the Oxford Segment grew 2.1 percent for the third quarter. The Apex and Oxford end markets we serve in IT, Digital/Creative Marketing, Life Sciences and Engineering all remained stable and productive throughout the quarter. Secular changes remain in our favor in regards to how our customers approach solutions to supporting their business and getting projects completed. While our staffing services continue to grow, and we are taking share, our value added service offerings, or consultative work, are growing at a much faster pace. Now on to the Oxford Segment results.

The Oxford Segment is comprised of Oxford Core, CyberCoders, our permanent placement business, and Life Sciences Europe. For the third quarter of 2018, Oxford Segment revenues were $152.8 million up 2.1 percent year-over-year. Adjusted for constant currency and same number of billable days, third quarter revenues grew 3.7 percent year-over-year.

Oxford Core revenues, which account for approximately 75.1 percent of the segment revenues, were up approximately 2.5 percent year-over-year, or 3.6 percent on an adjusted for billable day basis, in line with our expectations. CyberCoders, our permanent placement service offering, which accounts for 96.2 percent of the segment's permanent placement revenues, had 3.9 percent growth year-over-year, or 5.6 percent on an adjusted for billable day basis meeting our initial expectations.

Gross margin for the segment was 41.1 percent performing in-line with expectations, but down 70 basis points year-over-year due in large part to business mix within the segment.

As we typically do, let me give some color on the progress in Oxford Core. We have seen moderate year-over-year revenue growth year-to-date through Q3. Growth was driven by momentum in our domestic IT and Engineering disciplines and strong performance 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, our results provide us confidence that our actions have - and will - lead to better growth and bottom line results in the future.

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. Revenues for the Segment in the third quarter were $589.6 million up 14.0 percent year-over-year.

Apex Systems, which accounts for 75.5 percent of the Segment's revenues in the quarter, continues to lead the way with 15.1 percent year-over-year revenue growth. Our Creative Circle unit again posted double-digit year-over-year growth at 11.3 percent, and our Life Sciences' unit was up 8.9 percent in revenue growth.

Gross Margin for the Segment was slightly up compared to the previous quarters again reflecting stable pricing in our end markets.

Our Segment's EBITDA also grew double digits in the quarter and once again outpaced topline growth. 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.

As we usually do on these calls, we give you insights with respect to factors driving Apex Systems performance. Apex Systems' revenue growth again was driven by broad based growth across accounts and all industries:

- 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 Business Services accounts grew high single digits while Telecommunications accounts exhibited lower-single digit growth year-over-year.
- Growth was achieved in both our top accounts and retail or branch centric accounts with top accounts again growing double digits and outpacing our overall revenue growth rates. Retail accounts also experienced high-single digit growth rates.
- Growth in SOW type work remained strong in the quarter and continues to outpace our expectations and our overall revenue growth rate.
- Finally, as mentioned, field and back office exhibited exceptional productivity during the quarter while supporting Apex Systems' EBITDA performance.

Creative Circle grew revenue double-digits in the quarter and continues to exceed our expectations for overall profitability. Generally, the digital marketing end market remains favorable and we continue to see growth in corporate business as our accounts are shifting more work internally and to us versus using Ad agencies for support. Our Life Sciences business revenue growth was also up, again driven by strength in our top accounts and in our clinical skill sets.

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

I will now turn the call over to George Wilson.

GEORGE WILSON
President, ECS:

ECS had very good performance in the third quarter, both from a revenue and profitability standpoint. ECS reported revenues of $164.0 million, an increase of 7.1 percent year-over-year and 5.7 percent sequentially. This growth was ahead of the industry average for peer companies operating in the federal IT services space.

We have seen continued strong demand for services and solutions in areas of cybersecurity, cloud and artificial intelligence -- key business areas for ECS. We have also seen increased funding and customer interest in IT modernization investments where ECS is well positioned to support our clients with deep customer knowledge, the required IT skills, and the relevant contract vehicles.

In the third quarter, we received a total of $306.4 million in contract awards across a variety of customers and we continue to see a high level of proposal activity into our fourth quarter. Included in our awards this quarter were new task orders in Artificial Intelligence and machine learning work for Defense and Intelligence customers and a new award to support the Army's Integrated Pay and Personnel System, referred to as IPPS-A.

With a Q3 book-to-bill ratio of 1.7 to 1, ECS's end of third quarter contract backlog of $1.5 billion equates to a healthy coverage ratio of 2.5 times our trailing twelve-month revenues.

In the third quarter, ECS continued to strengthen its technical skills and business partnerships with commercial providers in cloud, cyber, risk management and artificial intelligence. During the third quarter, we were awarded a contract with U.S. Transportation Command (TRANSCOM) to manage commercial cloud services. More recently we were awarded a contract with the United States Marine Corp to plan and support cloud migrations. In addition to our premier status with AWS and Microsoft we were recently designated as a Premier Partner for Google's Cloud Platform. We were also awarded the Machine Learning Competency Status from Amazon Web Services and continues to deliver critical AI solutions to customers in Defense and Intelligence communities.

From a profitability standpoint, ECS's Adjusted EBITDA grew faster than our revenues in the quarter. We largely attribute the growth in Adjusted EBITDA to higher top line revenues, which allow us to leverage our fixed indirect costs over a wider contract base.

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 10.5 percent year-over-year on a pro forma basis and exceeded our previously-announced estimates. Our pro forma growth rate was approximately 40 basis points higher than last quarter's growth rate of 10.1 percent. On a "Constant Currency" and same "Billable Days" basis, our pro forma growth rate was approximately 10.9 percent.

Gross margin for the quarter was 29.8 percent, which was in line with our previously-announced estimates.

SG&A expenses for the quarter totaled $177.3 million and were lower than our previously-announced estimates. Despite sequential growth in revenues and gross profit, SG&A expenses, excluding acquisition and integration-related expenses, were flat from the second quarter as a result of favorable variances in compensation and healthcare expenses.

Interest expense for the quarter was $14.6 million, down $6.0 million from the second quarter. The sequential decrease was mainly attributable to one-time expenses of $5.8 million in the second quarter related to the amendment of the credit facility on April 2nd. Interest expense on our credit facility was also down sequentially as a result of principal repayments of $221.0 million over the last two quarters, partially offset by increases in LIBOR.

Our effective income tax rate for the quarter was 17.5 percent, or 9 percentage points lower than our previously-announced estimate of 26.5 percent. The lower rate was the result of: (i) changes, based on recently-issued IRS guidelines, to our provisional estimates for the transitional tax on deemed foreign dividends and the tax treatment of executive compensation, (ii) excess tax benefits from stock based compensation of approximately $1.1 million, which we do not include in our guidance estimates, (iii) higher employment tax credits and (iv) a one-time cash and earnings benefit of approximately $1.8 million related to the acceleration of tax deductions for deferred loan costs into 2017. On a prospective basis, we expect our effective tax rate will range between 26.0 and 27.0 percent before any excess tax benefits from stock-based compensation.

Net Income for the quarter was $49.2 million, up from $34.9 million in the third quarter of last year. Adjusted Net Income was $68.7 million, up from $44.1 million in the third quarter of 2017. Adjusted EBITDA for the quarter was $112.9 million, up 12.7 percent from $100.2 million for the third quarter of last year on a pro forma basis.

Cash flows from operating activities were $92.1 million and free cash flow was $84.6 million, or 9.3 percent of revenues. Cash flows benefited from a lower cash tax rate for the quarter related to the items previously mentioned, as well as the benefit from various tax attributes related to the ECS acquisition. During the quarter, we repaid $88.0 million of our long-term debt.

For the fourth quarter of 2018, revenues are estimated to range from $905.0 to $915.0 million, which implies growth of 8.8 to 10.0 percent on a pro forma basis. Billable Days, as defined in today's release, are estimated to be 60.2 days, up 0.2 days year-over-year and down 2.2 days sequentially. Revenues per Billable Day for the fourth quarter are estimated to be 3.5 to 4.6 percent higher than the preceding quarter.

Net Income is expected to range from $40.9 to $44.6 million; Adjusted Net Income to range from $59.2 to $62.9 million; and Adjusted EBITDA to range from $107.0 to $112.0 million. Our Adjusted Net Income estimates do not include the cash tax savings related to the amortization deduction of goodwill and trademarks, which savings are approximately $6.8 million quarterly.

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 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 third quarter performance. We look forward to carrying this momentum into the last quarter of 2018. Our focus remains on growing the business profitably along with maintaining our healthy 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.

Operator-