

ASGN Incorporated Reports First Quarter 2024 Results

Revenues and Adj. EBITDA near the top-end of guidance ranges

Approves new \$750 million stock repurchase program

April 24, 2024

RICHMOND, VA.— (BUSINESS WIRE) -- ASGN Incorporated (NYSE: ASGN), a leading provider of IT services and solutions to the commercial and government sectors, reported financial results for the quarter ended March 31, 2024.

Highlights

- Revenues were \$1.05 billion
- Net income was \$38.1 million
- Adjusted EBITDA (a non-GAAP measure) was \$108.3 million (10.3 percent of revenues)
- Operating cash flows were \$73.3 million and Free Cash Flow (a non-GAAP measure) was \$62.5 million
- Refinanced term loan B for a 50-basis point reduction in the interest rate to SOFR plus 175 basis points
- Repurchased approximately 0.8 million shares of the Company's common stock for \$79.7 million
- Subsequent to quarter end, ASGN's Board of Directors approved a new, two-year \$750 million stock repurchase program; the largest in the Company's history

IT Consulting Revenues - Approximately 56.7 percent of total revenues

- Commercial Segment - New bookings for the trailing-twelve-month period ("TTM") were \$1.3 billion; book-to-bill ratio was 1.2 to 1
- Federal Government Segment - New contract awards for the TTM were \$1.1 billion; book-to-bill ratio was 0.9 to 1

Management Commentary

"ASGN achieved solid results for the first quarter of 2024. Revenues of \$1.05 billion and Adjusted EBITDA of \$108.3 million were both near the top-end of our guidance ranges," said ASGN Chief Executive Officer, Ted Hanson. "A highlight of our quarterly performance, IT consulting revenues continued to grow and totaled 56.7 percent of consolidated revenues, up from 50.4 percent in the prior year."

Mr. Hanson continued, "Even though clients are still cautious with their IT spend, we are maintaining a healthy mix of commercial and government revenues. Our industry-diverse, large account portfolio not only serves ASGN well in good times, but also in more difficult macro conditions. As we advance our business toward higher-value IT consulting services, we continue to proactively position our operations for stability across market cycles. With this solid foundation in place, I am confident that when IT spend accelerates, ASGN will be at the forefront to lead our clients to their next phases of technological innovation, productivity, and growth."

First Quarter 2024 Financial Results - Summary

(In millions, except per share data)	Three Months Ended,		
	March 31,		December 31,
	2024	2023	2023
Revenues			
Commercial Segment	\$ 731.5	\$ 832.1	\$ 748.6
Federal Government Segment	317.5	296.7	325.5
	1,049.0	1,128.8	1,074.1
Gross Margin			
Commercial Segment	32.0 %	31.5 %	32.1 %
Federal Government Segment	19.7 %	21.6 %	19.9 %
Consolidated	28.2 %	28.9 %	28.4 %
Net income	\$ 38.1	\$ 49.5	\$ 50.3
Earnings per diluted share	\$ 0.81	\$ 0.99	\$ 1.06
Non-GAAP Financial Measures			
Adjusted Net Income	\$ 54.6	\$ 68.7	\$ 68.8
Adjusted Net Income per diluted share	\$ 1.16	\$ 1.38	\$ 1.45
Adjusted EBITDA	\$ 108.3	\$ 123.5	\$ 121.0
Adjusted EBITDA margin	10.3 %	10.9 %	11.3 %

Notes:

Definitions of non-GAAP measures and reconciliation to GAAP measurements are included in the tables that accompany this release.

Consolidated revenues for the quarter were \$1.05 billion, down 7.1 percent over the first quarter of 2023. From an industry perspective, the Company operates in six broad industry verticals. Commercial Segment revenues (69.7 percent of total revenues) were down 12.1 percent year-over-year and are categorized into five verticals: (i) Financial Services, (ii) Consumer and Industrial, (iii) Technology, Media and Telecom ("TMT"), (iv) Healthcare, and (v) Business Services. Federal Government Segment revenues (30.3 percent of total revenues), the sixth industry vertical, were up 7.0 percent year-over-year.

Total IT consulting services revenues were \$594.5 million (56.7 percent of total revenues), up 4.6 percent year-over-year. Federal Government Segment revenues, which are all consulting revenues, were \$317.5 million, up 7.0 percent year-over-year as stated above, and Commercial Segment consulting revenues were \$277.0 million, up 2.0 percent year-over-year. The growth in IT consulting services revenues was offset by assignment revenues, which totaled \$454.5 million (43.3 percent of total revenues), and were down 18.9 percent year-over-year, reflecting continued softness in the more cyclical portions of the Commercial Segment business.

Gross margin for the first quarter of 2024 was 28.2 percent, down 70 basis points from the first quarter of 2023 due to a higher mix of revenues from the Federal Government Segment, which have a lower gross margin than Commercial Segment revenues.

Selling, general, and administrative ("SG&A") expenses were \$210.2 million (20.0 percent of revenues), compared with \$224.1 million (19.9 percent of revenues) from the first quarter of 2023. SG&A expenses included \$1.2 million in acquisition, integration, and strategic planning expenses, which were not included in the Company's previously-announced guidance estimates.

Net income was \$38.1 million (\$0.81 per diluted share), compared with \$49.5 million (\$0.99 per diluted share) from the first quarter of 2023.

Adjusted EBITDA (a non-GAAP measure) was \$108.3 million, or 10.3 percent of revenues ("Adjusted EBITDA margin," a non-GAAP measure), compared with \$123.5 million or 10.9 percent of revenues in the first quarter of 2023.

Capital Resources and Capital Allocation

At March 31, 2024, the Company had:

- Cash and cash equivalents of \$158.4 million
- Full availability under its \$500.0 million Senior Secured Revolving Credit Facility (due 2028)
- Senior Secured Debt of \$497.5 million (term loan B facility due 2030)
- Senior unsecured notes totaling \$550.0 million at 4.625 percent (due 2028)

In the first quarter of 2024 the Company repurchased 0.8 million shares of its common stock for \$79.7 million at an average price of \$96.63 per share. Subsequent to quarter end, ASGN's Board of Directors approved a new two-year \$750 million stock repurchase program.

Second Quarter 2024 Financial Estimates

The Company's financial estimates for the second quarter of 2024, which are set forth below, are based on current operating trends and assume no significant deterioration in the markets ASGN serves. These estimates do not include any acquisition, integration or strategic planning expenses. Reconciliations of estimated net income to the estimated non-GAAP financial measures are included in the tables that accompany this release.

(In millions, except per share data)

	Low	High
Revenues	\$ 1,034.5	\$ 1,054.5
SG&A expenses ⁽¹⁾	206.0	210.0
Amortization of intangible assets	15.1	15.1
Net income	44.7	48.3

Earnings per diluted share	\$ 0.97	\$ 1.04
Gross margin	28.9 %	29.2 %
Effective tax rate ⁽²⁾	28.0 %	28.0 %

Non-GAAP Financial Measures:

Adjusted EBITDA	\$ 114.0	\$ 119.0
Adjusted Net Income ⁽³⁾	\$ 59.2	\$ 62.8
Adjusted Net Income per diluted share ⁽³⁾	\$ 1.28	\$ 1.36
Adjusted EBITDA margin	11.0 %	11.3 %

⁽¹⁾ Includes non-cash expenses totaling \$20.7 million, comprised of: (i) \$11.9 million of stock-based compensation, (ii) \$7.5 million of depreciation, and (iii) \$1.3 million of amortization related to capitalized cloud-based application implementation costs.

⁽²⁾ Estimated effective tax rate before any excess tax benefits related to stock-based compensation.

⁽³⁾ Does not include the "Cash Tax Savings on Indefinite-lived Intangible Assets." These savings total \$8.5 million each quarter, or \$0.18 per diluted share, and represent the benefit of the tax deduction that ASGN receives from the amortization of goodwill and trademarks.

The financial estimates above are based on an estimate of "Billable Days," which are Business Days (calendar days for the period less weekends and holidays) adjusted for other factors, such as the day of the week a holiday occurs, additional time taken off around holidays, year-end client furloughs, and inclement weather. There are 63.5 Billable Days in the second quarter of 2024, which is 0.25 days more than the year ago period and 0.75 days more than Q1 2024.

Conference Call

The Company will hold a conference call today at 4:30 p.m. ET to review its financial results for the first quarter of 2024 and to provide second quarter 2024 estimates. The dial-in number is 877-407-0792 (+1-201-689-8263 outside the United States), and the conference ID number is 13744927. Participants should dial in ten minutes before the call. The prepared remarks, supplemental materials and webcast for this call can be accessed at www.asgn.com.

A replay of the conference call will be available beginning today at 7:30 p.m. ET until May 8, 2024. The access number for the replay is 844-512-2921 (+1-412-317-6671 outside the United States for callers outside the United States) and the conference ID number is 13744927.

About ASGN Incorporated

ASGN Incorporated (NYSE: ASGN) is a leading provider of IT services and solutions to the commercial and government sectors. ASGN helps corporate enterprises and government organizations develop, implement, and operate critical IT and business solutions through its integrated offerings. For more information, please visit asgn.com.

Safe Harbor

Certain statements made in this news release 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 our anticipated financial and operating performance.

All statements in this news release, 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, we make no assurances that the proposed revenue, expense, and profit estimates outlined above will be achieved. Additional examples of forward-looking statements in this press release include, without limitation, statements regarding our ability to attract, train, and retain qualified internal employees, the availability of qualified billable 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 acquisitions, 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, 2023 as filed with the SEC on February 23, 2024. We specifically disclaim any intention or duty to update any forward-looking statements contained in this news release.

CONSOLIDATED SELECTED FINANCIAL DATA (Unaudited)*(In millions, except per share data)*

	Three Months Ended		
	March 31,		December 31,
	2024	2023	2023
Results of Operations:			
Revenues	\$ 1,049.0	\$ 1,128.8	\$ 1,074.1
Costs of services	752.8	802.4	769.2
Gross profit	296.2	326.4	304.9
Selling, general, and administrative expenses	210.2	224.1	203.6
Amortization of intangible assets	15.1	18.1	17.9
Operating income	70.9	84.2	83.4
Interest expense	(17.6)	(15.4)	(16.7)
Income before income taxes	53.3	68.8	66.7
Provision for income taxes	15.2	19.3	16.4
Net income	<u>\$ 38.1</u>	<u>\$ 49.5</u>	<u>\$ 50.3</u>
Earnings per share:			
Basic	<u>\$ 0.82</u>	<u>\$ 1.00</u>	<u>\$ 1.07</u>
Diluted	<u>\$ 0.81</u>	<u>\$ 0.99</u>	<u>\$ 1.06</u>
Number of shares and share equivalents used to calculate earnings per share:			
Basic	<u>46.5</u>	<u>49.3</u>	<u>47.1</u>
Diluted	<u>46.9</u>	<u>49.8</u>	<u>47.5</u>

CONSOLIDATED SELECTED FINANCIAL DATA (Continued) (Unaudited)
(In millions)

	Three Months Ended		
	March 31,		December 31,
	2024	2023	2023
Summary Statements of Cash Flow Data:			
Cash provided by operating activities	\$ 73.3	\$ 80.5	\$ 116.4
Cash used in investing activities	(10.8)	(12.3)	(7.2)
Cash used in financing activities	(80.0)	(73.4)	(79.3)
Reconciliation of GAAP to Non-GAAP Measure:			
Cash provided by operating activities	\$ 73.3	\$ 80.5	\$ 116.4
Capital expenditures	(10.8)	(11.7)	(7.2)
Free Cash Flow (non-GAAP measure)	<u>\$ 62.5</u>	<u>\$ 68.8</u>	<u>\$ 109.2</u>
	March 31,	December 31,	
	2024	2023	
Summary Balance Sheet Data:			
Cash and cash equivalents	\$ 158.4	\$ 175.9	
Working capital	561.7	579.2	
Goodwill and intangible assets, net	2,376.9	2,392.0	
Total assets	3,488.8	3,544.6	
Long-term debt	1,036.3	1,036.6	
Total liabilities	1,627.4	1,652.5	
Total stockholders' equity	1,861.4	1,892.1	

RECONCILIATIONS OF GAAP TO NON-GAAP MEASURES (Unaudited)

(In millions, except per share data)

	Three Months Ended		
	March 31,		December 31,
	2024	2023	2023
Net income	\$ 38.1	\$ 49.5	\$ 50.3
Interest expense	17.6	15.4	16.7
Provision for income taxes	15.2	19.3	16.4
Depreciation and other amortization ⁽¹⁾	9.4	6.8	7.8
Amortization of intangible assets	15.1	18.1	17.9
EBITDA (non-GAAP measure)	95.4	109.1	109.1
Stock-based compensation	11.7	12.1	10.3
Acquisition, integration, and strategic planning expenses	1.2	2.3	1.6
Adjusted EBITDA (non-GAAP measure)	<u>\$ 108.3</u>	<u>\$ 123.5</u>	<u>\$ 121.0</u>

	Three Months Ended		
	March 31,		December 31,
	2024	2023	2023
Net income	\$ 38.1	\$ 49.5	\$ 50.3
Credit facility amendment expenses	1.5	—	—
Acquisition, integration, and strategic planning expenses	1.2	2.3	1.6
Tax effect on adjustments	(0.7)	(0.6)	(0.4)
Non-GAAP net income	40.1	51.2	51.5
Amortization of intangible assets	15.1	18.1	17.9
Other	(0.6)	(0.6)	(0.6)
Adjusted Net Income (non-GAAP measure) ⁽²⁾	<u>\$ 54.6</u>	<u>\$ 68.7</u>	<u>\$ 68.8</u>
Per diluted share:			
Net income	\$ 0.81	\$ 0.99	\$ 1.06
Adjustments	0.35	0.39	0.39
Adjusted Net Income (non-GAAP measure) ⁽²⁾	<u>\$ 1.16</u>	<u>\$ 1.38</u>	<u>\$ 1.45</u>
Common shares and share equivalents (diluted)	<u>46.9</u>	<u>49.8</u>	<u>47.5</u>

⁽¹⁾ The first quarter of 2024 and fourth quarter of 2023 include \$1.3 million and \$0.7 million, respectively, of amortization related to capitalized cloud-based application implementation costs included in SG&A expenses.

⁽²⁾ Does not include the "Cash Tax Savings on Indefinite-lived Intangible Assets," which currently total approximately \$8.5 million per quarter (approximately \$0.18 per diluted share) and represent the benefit of the tax deduction for amortization of goodwill and trademarks.

FINANCIAL ESTIMATES FOR THE SECOND QUARTER OF 2024 RECONCILIATIONS OF ESTIMATED GAAP TO NON-GAAP MEASURES

(In millions, except per share data)

	Low	High
Net income ⁽¹⁾	\$ 44.7	\$ 48.3
Interest expense	15.7	15.7
Provision for income taxes	17.4	18.8
Depreciation and other amortization ⁽²⁾	9.2	9.2
Amortization of intangible assets	15.1	15.1
EBITDA (non-GAAP measure)	102.1	107.1
Stock-based compensation	11.9	11.9
Adjusted EBITDA (non-GAAP measure)	<u>\$ 114.0</u>	<u>\$ 119.0</u>

	Low	High
Net income ⁽¹⁾	\$ 44.7	\$ 48.3
Amortization of intangible assets	15.1	15.1
Other	(0.6)	(0.6)
Adjusted Net Income (non-GAAP measure) ⁽³⁾	<u>\$ 59.2</u>	<u>\$ 62.8</u>
Per diluted share:		
Net income	\$ 0.97	\$ 1.04
Adjustments	0.31	0.32
Adjusted Net Income (non-GAAP measure) ⁽³⁾	<u>\$ 1.28</u>	<u>\$ 1.36</u>

⁽¹⁾ Does not include acquisition, integration, and strategic planning expenses, or excess tax benefits related to stock-based compensation.

⁽²⁾ Comprised of (i) \$7.5 million of depreciation included in SG&A expenses, (ii) \$1.3 million of amortization related to capitalized cloud-based application implementation costs included in SG&A expenses, and (iii) \$0.4 million of depreciation included in costs of services.

⁽³⁾ Does not include the "Cash Tax Savings on Indefinite-lived Intangible Assets". These savings total \$8.5 million per quarter (\$0.18 per diluted share) and represent the benefit of the tax deduction for amortization of goodwill and trademarks.

Non-GAAP Financial Measures

Statements in this release include financial information presented in accordance with accounting principles generally accepted in the United States ("GAAP") and also include non-GAAP financial measures that are provided as additional information to enhance the overall understanding of the Company's current financial performance and not as an alternative to the consolidated interim financial statements presented in accordance with GAAP. Management uses these non-GAAP measures (earnings before interest, taxes, depreciation, and amortization ("EBITDA"), Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income, Adjusted Net Income per diluted share, Free Cash Flow, and Revenues on a same Billable Days basis) to evaluate the Company's financial performance. These terms might not be calculated in the same manner as, and thus might not be comparable to, similarly titled measures reported by other companies. The financial information tables that accompany this press release include reconciliations of net income to non-GAAP financial measures.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin provide a measure of the Company's operating results in a manner that is focused on the performance of the Company's core business on an ongoing basis, by removing the effects of non-operating and certain non-cash expenses. These non-operating and non-cash items are specifically identified in the reconciliations of GAAP measures to Non-GAAP measures that accompany this release.

Adjusted Net Income provides a method for assessing the Company's operating results in a manner that is focused on the performance of the Company's core business on an ongoing basis by removing the effects of non-operating and certain non-cash expenses, adjusted for some of the cash flows associated with amortization of intangible assets to more fully present the performance of the Company's acquisitions. The calculation of Adjusted Net Income is presented in the reconciliations of GAAP measures to Non-GAAP measures that accompany this release.

Free Cash Flow provides useful information to investors about the amount of cash generated by the business that can be used for strategic opportunities and is computed as presented in the tables that accompany this release.

Commercial consulting bookings are defined as the value of new contracts entered into during a specified period, including adjustments for the effects of changes in contract scope and contract terminations. The book-to-bill ratio for the Commercial consulting is the ratio of bookings to revenues for a specified period.

Federal Government Segment new contract awards are defined as the estimated amount of future revenues to be recognized under contracts awarded during a specified period, including adjustments to estimates for contracts awarded in previous periods. The book-to-bill ratio for the Federal Government Segment is the ratio of New Contract Awards to revenues for a specified period.

Revenues calculated on a Same Billable Days basis provide more comparable information by removing the effect of differences in the number of billable days on a year-over-year basis. Revenues on a Same Billable Days basis are adjusted for the following items: differences in billable days during the period by taking the current-period average revenue per billable day, multiplied by the number of billable days from the same period in the prior year; Billable Days are business days (calendar days for the period less weekends and holidays) adjusted for other factors, such as the day of the week a holiday occurs, additional time taken off around holidays, year-end client furloughs, and inclement weather.

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