



CONFERENCE CALL

PREPARED REMARKS FROM:

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THIRD QUARTER 2024 FINANCIAL RESULTS CONFERENCE CALL

OCTOBER 23, 2024

PREPARED REMARKS

DISCLAIMER

Certain statements made in these prepared remarks are “forward-looking statements” within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and 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 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 scenarios outlined in our financial guidance will be achieved. Additional examples of forward-looking statements in these prepared remarks include, without limitation, statements regarding our ability to attract, train and retain qualified staffing consultants, the availability of qualified contract professionals, management of our growth, continued performance and improvement of our enterprise-wide information systems, our ability to successfully adapt, integrate, and leverage developing technologies, including generative AI, 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, 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 these prepared remarks.

KIMBERLY ESTERKIN

Vice President Investor Relations:

Good afternoon. Thank you for joining us today for ASGN's third quarter 2024 conference call. With me are Ted Hanson, Chief Executive Officer, Rand Blazer, President, and Marie Perry, Chief Financial Officer.

Before we get started, I would like to remind everyone that our commentary contains forward-looking statements. Although we believe these statements are reasonable, they are subject to risks and uncertainties, and as such, 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 any 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 at investors.asgn.com.

Please also 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 GAAP and non-GAAP measures are included in today's press release.

I will now turn the call over to Ted Hanson, Chief Executive Officer.

THEODORE S. HANSON

Chief Executive Officer:

Thank you, Kim, and thank you for joining ASGN's third quarter 2024 earnings call.

Sustaining a Competitive Edge Remains Our Clients' Priority

Market demand for ASGN's services remained stable in the third quarter. Q3 2024 revenues of \$1.031 billion were similar to the second quarter and within our guidance range. In terms of profitability, Adjusted EBITDA margin of 11.3 percent was at the midpoint of our guidance range and reflects the continued evolution of our business toward higher-end, high value consulting solutions. IT consulting is now approaching 60 percent of total revenues, with 57.9 percent of third quarter 2024 revenues in commercial and government consulting, up from 54.5 percent of revenues in the year-ago period.

Despite relatively consistent top-line results, global economic uncertainty remains. As a result, we have yet to see a meaningful increase in client IT services spending. This caution, however, is not meant to imply that our commercial enterprise and federal government customers have deviated from their long-term digital transformation paths. Rather, our clients know that advancing their IT roadmaps is crucial to maintaining their competitive advantage. Strong commercial and government bookings in the third quarter demonstrate the continued need for ASGN's IT services and are a sign of the pent-up demand within our customer base.

As we progress through the final quarter of the year and prepare for an improved IT spending environment, we continue to develop our solutions capabilities in core areas of interest to our Fortune 1000 and federal government clients, including data & analytics, cloud, cybersecurity, and early-on AI applications. We are differentiating our business by bringing to bear unique solutions capabilities across industry verticals, while at the same time being fast adopters of new technologies. I will provide some examples of these efforts as we review ASGN's third quarter segment performance, so let's begin with our largest segment by revenue, Commercial.

Q3 2024 Segment Performance

Commercial Segment – A One-Stop Shop for our Clients' IT Consulting Needs

Our Commercial Segment services Fortune 1000 and large mid-market companies. Commercial Segment revenues for the quarter were driven by growth in our commercial consulting business. Commercial consulting revenues improved 3.9 percent year-over-year and were also up 1.2 percent sequentially. Commercial consulting bookings of \$282.5 million put our book-to-bill at 1.1 times on a trailing twelve-month basis. Although consulting bookings remain more weighted toward renewals than new work, our new work is growing each quarter.

Looking at the total Commercial Segment, from an industry perspective, we saw year-over-year growth in two of our five commercial verticals. TMT revenues improved 10.9 percent compared with the third quarter of 2023, led by double-digit growth in software and services and e-Commerce. Consumer & Industrial accounts are returning to modest growth year-over-year, driven by double-digit growth in Utilities and Materials.

On a sequential basis, we also saw growth in two commercial industry verticals. Consumer & Industrial accounts improved low single digits, driven by growth in Consumer Staples and Materials, which improved mid-single-digits sequentially, as well as Energy and Utilities, which were up high-single-digits from the prior quarter. The Financial Services vertical also saw slight growth sequentially. This modest quarter-over-quarter improvement was driven by Regional Banks, which improved mid-single-digits, and Insurance Services, which improved high-single-digits from the second quarter. Notably, within Financial Services, Big Banks were flat quarter-over-quarter after four consecutive quarters of decline. Although the Healthcare industry vertical remained down year-over-year and sequentially, within the vertical, Healthcare Payers were up mid-single-digits from the second quarter.

As we continue to mature our consulting practice, we are selectively adding new skillsets to our project teams, including solution architects. Adding these high-end solutions capabilities provides us with the opportunity to strengthen our work and thereby improve our margins, expand our contract sizes and lengths, and enhance the industry vertical performance I just described.

We are aligning our solutions architects with services of greatest interest to our clients. Solutions that are seeing the most traction of late include application development and modernization, cloud migration and modernization, data platforms and products, and cybersecurity advisory and support. These services are all foundational to realizing the value of generative AI (GenAI). While there is still much data readiness and infrastructure work that needs to be completed before our clients can deploy enterprise-wide applications of GenAI, they are, however, beginning to implement specific AI models in portions of their organizations by leveraging ASGN's core data and analytics capabilities. Let me provide a few examples.

During the third quarter, one of our clients, a Fortune 500 multinational department store, came to our Data & AI Team looking for a way to improve staff utilization at its global distribution centers. Leveraging machine learning and AI to analyze historical and real-time data, our team built a time-series model that can produce a 26-week labor forecast compared to the client's legacy manual staffing model. This new model significantly reduces our client's costs by more accurately forecasting labor demands using internal and industry-wide data.

For another client, a Midwest public utility, our Data & AI Team was brought in to develop an automated solution to verify customer addresses. The new system would need to process large datasets with limited manual intervention. With a focus on automation and scalability, our team built a predictive analytics solution that automated the entire address validation process, thereby reducing manual intervention by 50 percent and enabling better decision making, smoother logistics, and enhanced customer satisfaction.

Achieving customer satisfaction is always top of mind. One key way we are earning accolades from our clients is by providing them with a one-stop shop, onshore and nearshore, for their technical needs. For a large financial advisory client facing data integrity complications, we brought together a team of commercial and government consultants in the U.S., along with engineers out of our Mexico Delivery Center, to assess our client's data systems' security and accuracy as well as to provide gap reporting and offer strategies to improve their systems' integrity. This cross-border, cross-segment, engagement team combined expertise from our Application Development, Data Analytics, and Cybersecurity solutions. This opportunity offers multiple years of expansion work that will deepen our saturation within the client, all while increasing our technical qualifications.

Speaking of technical qualifications, we've strengthened our Commercial Governance, Risk, and Compliance practice, or GRC practice, by joining the strengths of our commercial and government cybersecurity resources to support our commercial industry clients. In a recent GRC engagement, we offered strategic advisory and engineering talent to help a major financial institution fortify its data security defenses. We also renewed a multi-year partnership with a key healthcare client, working closely to enhance its cybersecurity framework to comply with industry regulations.

Also in the Healthcare Industry, one of the largest public hospital systems in the country turned to our consultants at GlideFast to reimplement their entire instance of ServiceNow. Our team won this highly competitive pursuit by understanding the challenges and restraints of the system's prior installation and offering the client a shared vision for how to deliver value across every phase of the project. This win reinforces GlideFast's position as an elite ServiceNow provider, and our team now has the opportunity for continued client partnership by implementing additional ServiceNow modules as the project matures and progresses.

Each of these aforementioned consulting projects illustrates ASGN's unique ability to integrate comprehensive solutions to address our clients' IT needs. We complement our internal capabilities by partnering with technology industry leaders, such as ServiceNow, Salesforce, Snowflake, Databricks, Microsoft Azure, and AWS, amongst others, knowing that being a fast adopter of the latest technological advancements is vital to our success. And, as we move with the fast currents of IT, we are strategically positioning ourselves within our clients' organizations, enabling us to grow and expand our relationships over years and decades to come.

Federal Government Segment – Strong Quarterly Bookings, Task Orders Back on Track

Let's now turn to our Federal Government Segment, which provides advanced IT solutions to the Department of Defense, the intelligence community, and federal civilian agencies. The Federal Segment's revenues for the quarter improved 1.0 percent sequentially.

Net new contract awards were \$666.4 million, putting our book-to-bill at 2.1 times for the third quarter and 0.9 times on a trailing twelve-month basis. Contract backlog was over \$3.1 billion at the end of the third quarter, or a coverage ratio of 2.5 times the segment's trailing twelve-month revenues.

As is evident from our quarterly book-to-bill, the pace of task orders has increased. We began to see this trend in July at the same time of our second quarter earnings call, and this continued throughout Q3 as we were awarded work under previously won contracts, including several IDIQs. At the same time task order volume increased, so too did our re-compete win rate, which reached 100 percent for the quarter.

By increasing our market focus and rigor, we boosted our win rate and expanded our average deal size. For example, in September, our federal government team was awarded a \$528 million six-year, single-award data services IDIQ with the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency or CISA. Under this new award, a portion of which is included in our third quarter bookings, our team will design, develop, and deliver solutions that will standardize the integration of cybersecurity data across dozens of Federal Civilian Executive Branch agencies. This award is a true testament to our team's exceptional cybersecurity qualifications as well as our longstanding relationship with and institutional knowledge of CISA.

Given our partnership with CISA and having passed other prerequisite steps, our team was asked to compete against other companies to deliver CISA a prototype of a cybersecurity threat intelligence platform. This platform will allow civilian agencies, along with state and local governments and critical infrastructure entities, to streamline the generation, use, and sharing of cybersecurity threat intelligence to increase the resiliency of U.S. national security. By being part of this important prototype, ECS has the opportunity to assume a key advantage on a large future contract with CISA's Threat Intelligence Enterprise Service program.

During the third quarter, we also won task orders on a number of previously secured contracts and IDIQs. For a premier law enforcement agency, we were awarded our first two task orders which expanded our current work providing advanced architecture, engineering, and operations for the agency's important cybersecurity domain. For the National Institutes of Health, we won several task orders to support patient-centric solutions, and for Veterans Affairs, we won multiple task orders to provide enhanced veterans' experience, including supporting key applications used for accessing veterans' healthcare information.

While it took some time to see task orders flow through, as we predicted, we are gaining traction, and our pipeline of new work and recompetes continues to grow. Importantly, our diversified government portfolio of critical customer accounts with national priority, along with our focus on mission-enabling IT solutions, mitigates the potential impact to our business that risks from macroeconomic conditions, geopolitical conditions, or the upcoming Presidential election may pose.

Before Marie discusses our third quarter results in more detail, I'd be remiss if I did not speak about our growing AI/ML work for the defense and intelligence community. As one example, in the third quarter, the National Security and Intelligence Division provided us with funding for work related to AI-enabled operations and exercises, autonomous systems deployment, AI algorithm and software deployment, and AI-enabled publicly available information toolkits and training programs.

ASGN has been a top AI/ML contractor for the government for many years, and in August, ECS was named a top-five federal AI/ML provider by Deltek for the third year in a row. While our talented professionals and qualifications are certainly being recognized by the industry, to ensure that we stay ahead of the latest developments in AI and GenAI, we continue to expand our core team of practitioners who provide solution architecture, engineering, and business growth support.

With that, I'll now turn the call over to Marie to discuss the third quarter results and our fourth quarter guidance.

MARIE L. PERRY
Chief Financial Officer:

Q3 2024 Financial Performance and Q4 2024 Financial Estimates

Third quarter revenues were \$1.031 billion, a decrease of 7.7 percent year-over-year, but essentially flat to the second quarter.

Revenues from the Commercial Segment were \$718.8 million, a decrease of 8.1 percent as compared to the prior year. As Ted noted, revenues from commercial consulting, the largest of our high-margin revenue streams, totaled \$285.0 million, up 3.9 percent year-over-year and up 1.2 percent sequentially.

Revenues from our Federal Government Segment were \$312.2 million, a decrease of 6.6 percent year-over-year, but up 1.0 percent sequentially. As we noted in our second quarter call, the year-over-year decline in Federal Segment revenues can largely be attributed to fewer license revenues compared to the prior year. Excluding these licenses, Federal Segment revenues improved low-single-digits year-over-year.

Turning to margins. Gross margin for the third quarter of 2024 was 29.1 percent, an increase of 20 basis points from the third quarter of last year and at the top end of our guidance range for the quarter.

Gross margin for the Commercial Segment was 32.8 percent, up 30 basis points year-over-year, reflecting a higher mix of consulting revenues as well as margin expansion in these revenues. Gross margin for the Federal Government Segment was 20.7 percent, also up 30 basis points year-over-year, primarily due to a higher mix of direct labor, which is higher margin work, along with lower license revenues mentioned previously.

SG&A expense for the quarter was \$207.5 million, compared to \$206.0 million in the third quarter of 2023. SG&A expense also included \$1.1 million in acquisition, integration, and strategic planning expenses and a \$3.6 million legal settlement accrual, both of which were not included in our guidance estimates.

For the quarter, net income was \$47.5 million, Adjusted EBITDA was \$116.9 million, and Adjusted EBITDA margin was 11.3 percent.

Turning to Free Cash Flow. Free Cash Flow for the quarter was \$127.9 million or a conversion rate of approximately 109 percent of Adjusted EBITDA. At quarter end, cash and cash equivalents were \$166.6 million, and we had full availability under our \$500.0 million senior secured revolver, and our net leverage ratio was 1.9 times.

Our robust Free Cash Flow provides a strategic advantage that enables ASGN to fund key growth initiatives and opportunistically repurchase shares to return value to stockholders while maintaining a healthy and resilient balance sheet. By following a disciplined and balanced approach to capital allocation, we can invest in high-return opportunities and prudently manage our leverage, driving sustainable long-term value to our stockholders.

Given the market opportunity, we deployed \$95.6 million for the repurchase of roughly one million shares at an average price of \$92.26. We have approximately \$573 million remaining under our \$750 million share repurchase authorization. With solid free cash flow generation and full availability under our revolver, we have ample dry powder to make strategic acquisitions when opportunities become more readily available.

Turning to guidance. Our financial estimates for the fourth quarter of 2024 are set forth in our earnings release and supplemental materials. These estimates are based on current market conditions and assume 61.0 Billable Days in the fourth quarter, which is one more day than the year-ago period and 2.5 days fewer than the third quarter. The fewer billable days in the fourth quarter generates a sequential headwind that equates to about four percent of revenues.

We expect market conditions and demand for our services in the fourth quarter to be similar to that of the third quarter. While third quarter bookings indicate a solid pipeline of work, we do not anticipate an uptick in our clients' IT spend in the fourth quarter. With regards to EBITDA margin, the fourth quarter typically sees a decrease in margin sequentially due to client furloughs and fewer Billable Days along with traditional seasonal softness in perm placement revenues.

With this background, for Q4 2024, we are estimating: revenues of \$990 million to \$1.01 billion, net income of \$39.2 million to \$42.1 million, Adjusted EBITDA of \$103.0 million to \$107.0 million, and Adjusted EBITDA margin of 10.4 percent to 10.6 percent.

Thank you; I'll now turn the call back to Ted for some closing remarks.

THEODORE S. HANSON

Chief Executive Officer:

Adding to ASGN's Core Values - A Fast Adopter of New Technologies

Last quarter, I ended our discussion by reviewing ASGN's core values, including our belief in the IT services sector, our move to become more consultative, and our focus on supporting large, industry diverse, commercial enterprise and federal government clients. Another core value to include on that same list, that I hinted at the start of today's call, is being a fast adopter of new technologies to bring to our clients. A differentiator of our business model, ASGN strategically pivots as technology advances, so that we can drive our clients' IT roadmaps while competitively positioning our own business.

AI is undoubtedly a central focus of the IT roadmaps of corporate enterprises and federal agencies alike, making the investment and integration of GenAI a top priority for our clients. The Global ISG Index, one of the leading sources of market intelligence on the IT and business services sector, anticipates that global spending on GenAI will increase by 50 percent in 2025 and represent upwards of seven percent of companies' total IT spend by year end.

While leveraging data and AI will enable companies to unlock increased value, before that value can be realized, company tech stacks need to be improved. Businesses must enhance their data management capabilities as well as their cloud and cybersecurity infrastructures in order to fully leverage the benefits of GenAI across their enterprises.

With that in mind, there remains a lot of foundational work that needs to be completed, from modernizing and cleaning up data lakes and enhancing cybersecurity frameworks, to driving automation and ensuring regulatory compliance. All of these areas are core to ASGN's differentiated service offerings, and with strong bookings and a diverse client base across six key industry verticals, ASGN is positioned to take advantage of the opportunities to support our clients' IT roadmaps now and for many years to come.

That concludes our prepared remarks. I want to extend my heartfelt gratitude to everyone at ASGN for your support this past quarter. Your dedication to fostering deep, longstanding client relationships is truly commendable and no doubt places us at the forefront of the IT industry.

Thank you again for joining our third quarter 2024 call. Operator, please open the call to questions.