



## On Assignment, Inc.

### Analyst Highlights

<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	\$9.43
<b>Target Price:</b>	\$12.00
<b>Forecast Stock Return:</b>	27.3%
<b>2-yr Est. CAGR:</b>	51.4%

### Street Estimates

	<u>2006A</u>	<u>2007E</u>	<u>2008E</u>
<b>EPS</b>	\$0.28	\$0.28	\$0.54
<b>P/E</b>	33.7	33.7	17.5
<b>Revenue</b>	\$284	\$577	\$651
<b>P/S</b>	1.2	0.6	0.5

### Price History



### Company Information

<b>Ticker:</b>	ASGN
<b>Industry:</b>	Healthcare Staffing
<b>Insider Ownership:</b>	1%
<b>Cash &amp; Equiv (000's):</b>	\$23
<b>Debt (000's):</b>	\$144

### Key Stock Statistics

<b>Average Volume (000's):</b>	300
<b>52-Week High:</b>	\$13.78
<b>52-Week Low:</b>	\$8.36
<b>Market Capitalization:</b>	\$336
<b>Shares Outstanding:</b>	35.6

## Company Overview

On Assignment, Inc., a professional staffing firm, provides flexible and permanent staffing solutions in laboratory/scientific, healthcare, and medical financial and health information services in the United States and Europe. It offers its clients with short-term or long-term assignments of contract professionals, contract-to-permanent placement, and direct placement of professionals. The company operates through two segments: Lab Support and Healthcare Staffing. The Lab Support segment provides locally-based contract life science professionals to clients in the biotechnology, pharmaceutical, food and beverage, medical device, personal care, chemical, automotive, educational, and environmental industries. Its contract professionals include chemists, clinical research associates, clinical lab assistants, engineers, biologists, biochemists, microbiologists, molecular biologists, food scientists, regulatory affairs specialists, lab assistants, and other skilled scientific professionals. The Healthcare Staffing segment provides both locally-based and traveling contract professionals, including nurses, specialty nurses, health information management professionals, dialysis technicians, surgical technicians, imaging technicians, x-ray technicians, medical technologists, phlebotomists, coders, billers, claims processors, and collections staff. This segment's healthcare clients include hospitals, integrated delivery systems, imaging centers, clinics, physician offices, reference laboratories, universities, managed care organizations, and third-party administrators. On Assignment also provides physician staffing, as well as staffing in the areas of information technology and engineering. The company was founded in 1985 and is headquartered in Calabasas, California.

## Investment Thesis

1. ASGN is positioned to handily beat the Street's estimates for 2nd quarter earnings.
2. Expect guidance increases for 3rd quarter and full year 2007 revenue and EPS.
3. Attractive valuation based on peer group P/E multiples.
4. Consistent demand for healthcare and IT workers in the U.S.
5. Aging demographics.

## Valuation

We are initiating research coverage of On Assignment, Inc. (ASGN) with a BUY rating and a \$11 price target. We feel that ASGN's solid growth prospects and strong potential for upward guidance revisions earn it a premium valuation when compared to its peer group. The healthcare staffing group currently trades at a 19.5x P/E multiple for 2008. Our \$12 price target is based on a 22.2x P/E multiple on the consensus 2008 EPS estimate. This implies a 14% premium to the peer group.

## Sector - Specialty Staffing

### Company Information

Ticker	Company	Price			P/E Valuation		
		Current Price	52-week High	52-week Low	2006	2007	2008
ASGN	On Assignment	\$9.43	\$13.78	\$8.36	33.7	33.7	17.5
AHS	AMN Healthcare	\$21.00	\$29.10	\$20.73	23.9	18.6	15.8
CCRN	Cross Country Health	\$15.76	\$24.07	\$16.16	24.6	20.7	16.9
MRN	Medical Staffing	\$5.59	\$7.22	\$4.71	69.9	43.0	28.0

<i>Average</i>	<i>38.0</i>	<i>29.0</i>	<i>19.5</i>
<i>Median</i>	<i>29.2</i>	<i>27.2</i>	<i>17.2</i>
<i>Average excl High &amp; Low</i>	<i>29.2</i>	<i>27.2</i>	<i>17.2</i>

### Estimates (consensus)

Ticker	EPS		
	2006A	2007E	2008E
ASGN	\$0.28	\$0.28	\$0.54
AHS	\$0.88	\$1.13	\$1.33
CCRN	\$0.64	\$0.76	\$0.93

## Price-Earnings Valuation

2006

		Price Multiple						
		35.0	36.0	37.0	38.0	39.0	40.0	41.0
E P S	\$ 0.25	\$8.75	\$9.00	\$9.25	\$9.50	\$9.75	\$10.00	\$10.25
	\$ 0.26	\$9.10	\$9.36	\$9.62	\$9.88	\$10.14	\$10.40	\$10.66
	\$ 0.27	\$9.45	\$9.72	\$9.99	\$10.26	\$10.53	\$10.80	\$11.07
	\$ 0.28	\$9.80	\$10.08	\$10.36	\$10.64	\$10.92	\$11.20	\$11.48
	\$ 0.29	\$10.15	\$10.44	\$10.73	\$11.02	\$11.31	\$11.60	\$11.89
	\$ 0.30	\$10.50	\$10.80	\$11.10	\$11.40	\$11.70	\$12.00	\$12.30
	\$ 0.31	\$10.85	\$11.16	\$11.47	\$11.78	\$12.09	\$12.40	\$12.71

2007

		Price Multiple						
		26.0	27.0	28.0	29.0	30.0	31.0	32.0
E P S	\$ 0.25	\$6.50	\$6.75	\$7.00	\$7.25	\$7.50	\$7.75	\$8.00
	\$ 0.26	\$6.76	\$7.02	\$7.28	\$7.54	\$7.80	\$8.06	\$8.32
	\$ 0.27	\$7.02	\$7.29	\$7.56	\$7.83	\$8.10	\$8.37	\$8.64
	\$ 0.28	\$7.28	\$7.56	\$7.84	\$8.12	\$8.40	\$8.68	\$8.96
	\$ 0.29	\$7.54	\$7.83	\$8.12	\$8.41	\$8.70	\$8.99	\$9.28
	\$ 0.30	\$7.80	\$8.10	\$8.40	\$8.70	\$9.00	\$9.30	\$9.60
	\$ 0.31	\$8.06	\$8.37	\$8.68	\$8.99	\$9.30	\$9.61	\$9.92

2008

		Price Multiple						
		16.5	17.5	18.5	19.5	20.5	21.5	22.5
E P S	\$ 0.51	\$8.43	\$8.94	\$9.45	\$9.96	\$10.47	\$10.98	\$11.49
	\$ 0.52	\$8.60	\$9.12	\$9.64	\$10.16	\$10.68	\$11.20	\$11.72
	\$ 0.53	\$8.76	\$9.29	\$9.82	\$10.35	\$10.88	\$11.41	\$11.94
	\$ 0.54	\$8.93	\$9.47	\$10.01	\$10.55	\$11.09	\$11.63	\$12.17
	\$ 0.55	\$9.10	\$9.65	\$10.20	\$10.75	\$11.30	\$11.85	\$12.40
	\$ 0.56	\$9.26	\$9.82	\$10.38	\$10.94	\$11.50	\$12.06	\$12.62
	\$ 0.57	\$9.43	\$10.00	\$10.57	\$11.14	\$11.71	\$12.28	\$12.85

## Analyst Certification

I, Josh Goodwin, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

## Rating Methodology

Our investment rating system is three tiered, defined as follows:

- Buy** We expect this stock to outperform the S&P 500 by more than 10% over the next 12-18 months.
- Hold** We expect this stock's total return will be in line with the average total return of the S&P 500 over the next 12-18 months.
- Sell** We expect this stock to underperform the S&P 500 by more than 10% of the S&P 500 over the next 12-18 months and believe the stock could decline in value.

## Disclosures

The ratings reflect the opinion of the individual analyst and are subject to change at any time.

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