Manpower Group (MAN)

Updated June 17th, 2022, by Ioannis Zourmpanos

Key Metrics

Current Price:	$76	**5 Year CAGR Estimate:**	15.5%	**Market Cap:**	$4.03 B
Fair Value Price:	$110	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	05/31/2022
% Fair Value:	69%	**5 Year Valuation Multiple Estimate:**	7.7%	**Dividend Payment Date:**	06/15/2022
Dividend Yield:	3.6%	**5 Year Price Target**	$140	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Retirement Suitability Score:**	C	**Rating:**	Buy

Overview & Current Events

ManpowerGroup Inc. is a leading global workforce solution company with a well-established network of 2,500 offices in 75 countries and territories. Manpower owns hundreds of subsidiary companies globally and serves large and small organizations through the following brands: Manpower, Experis, and Talent Solutions. The company is one of the three leading diversified global recruitment providers alongside Adecco and Randstad, with each player possessing about 5%-6% of the market share. The major geographic markets for Manpower include the United States (13% of 2021 revenues); Southern Europe (45%); Northern Europe (23%); Asia Pacific/Middle East (12%); other parts of the Americas (7%).

On 19th April 2022, the company announced Q1 2022 results reporting revenue of $5.1 billion for the quarter compared to $4.9 billion in Q1 2021. The company recorded a gross profit of $897.1 million, a substantial growth of 16.8% compared to $768.1 million during Q1 2021. The diluted earnings during the quarter stood at $1.68 per share compared to $1.11 per share in Q1 2022. The management noted that the reported earnings during the first quarter included integration costs from the U.S. Experis acquisition and the net loss related to the sale of the company's Russia business in January. As a result, these costs reduced EPS by $0.20 in the quarter but excluding these costs, the adjusted EPS would be $1.88.

While the war in Ukraine was certainly an adverse event for the company, particularly in the automotive supply chain, the management foresees strong labor demand in the coming quarters, especially in the IT, finance, and manufacturing sectors. The skilled talent shortages are expected to persist, which will benefit the company and its portfolio services and solutions. The company recently made a strategic acquisition of ettain group to expand the IT staffing category further. While commenting on the outlook for the company's future, the CEO of Manpower remains optimistic about several emerging growth opportunities across Europe and globally. Finally, the company's management anticipates diluted EPS in the second quarter between $2.31 and $2.39.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$2.95	$4.44	$5.30	$5.40	$6.27	$6.95	$8.56	$7.72	$0.41	$6.91	***$8.46***	***$10.79***
DPS	$0.86	$0.92	$0.98	$1.60	$1.72	$1.86	$2.02	$2.18	$2.26	$2.52	***$2.72***	***$3.44***
Shares	76.7	79.4	78.1	73.0	67.0	66.1	60.8	58.7	55.6	53.6	***53.0***	***44.2***

ManpowerGroup has steadily grown its business over the last decade and achieved EPS growth at a CAGR of 9.9% during the past nine years. In addition, the company has consistently reduced its outstanding share capital through share buybacks increasing shareholder returns. Manpower is expected to post an EPS between $8.22-$9.58 for the current fiscal year, reflecting that the business is back to pre-pandemic levels. Moreover, the company will benefit from recent digitization efforts and acquisitions to further diversify its offerings. Due to the favorable outlook for the company, we are forecasting a 5.0% growth in EPS over the next five years which will lead to our estimated EPS of $10.79 by 2027. We expect the company to provide a total return at a CAGR of 15.5% by 2027, including a dividend yield of 3.6%.

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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	13.4	14.6	14.3	15.8	12.2	15.9	11.0	11.5	181.4	15.4	***9.0***	***13.0***
Avg. Yld.	2.2%	1.4%	1.3%	1.9%	2.2%	1.7%	2.1%	2.5%	3.0%	2.4%	***3.6%***	***2.5%***

Manpower has been currently trading at a forward P/E of 9, much lower than its normalized long-term 9-year average P/E of 13.8 and normalized five-year average P/E of 13.2. The stock has moved in tandem with the S&P reporting a decline of 23.4% YTD. We believe that the company's strategic positioning is good and will continue to thrive in the near future. Hence there is a significant upside from the current price once recession concerns ease and the market re-assigns a fairer P/E to the stock. We have estimated the company to trade at a P/E ratio of 13 by 2027, which will result in a fair value price of $140 by the end of 2027, providing an upside of 85% from the current market price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

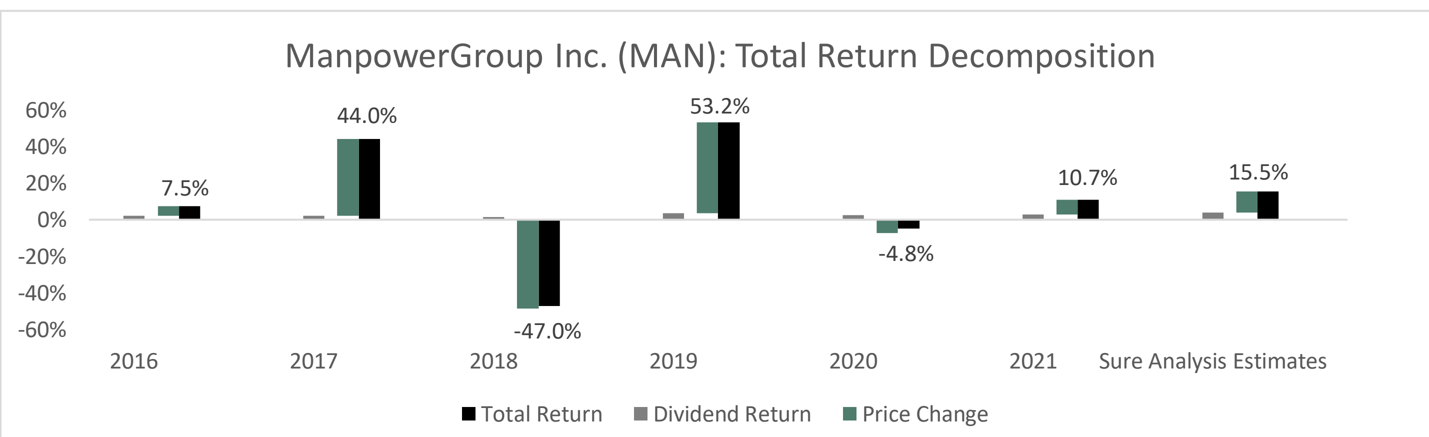
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	29%	21%	18%	30%	27%	27%	24%	28%	551%	36%	***32%***	***32%***

Manpower has provided consistent shareholder returns and paid dividends with a 10-year normalized payout ratio averaging 27%. We expect the company to maintain its healthy payout ratio in the future and have assumed a payout ratio of 32% going forward. Favorably, the company also made share repurchases of $210.0 million, $264.7 million, and $203.0 million during the past three years. Even though the staffing industry is highly competitive and cyclical in nature, Manpower has an established centralized database to match employers with best-suited candidates, but we expect the company to continue to face fierce competition from other global staffers like Randstad, Adecco, and Randstad, which will inhibit the company's ability to gain market share.

Final Thoughts & Recommendation

We expect the labor market to remain tight in the coming years; before the COVID-19 pandemic, the U.S. labor market was tight as the headline unemployment rate fell to 3.6%. This level skyrocketed during the first half of 2020, but it has now come back to the pre-pandemic rate at 3.6%, and we expect it will stay near this level in the near term. In addition, the trend of hybrid working models and the shift toward recruitment outsourcing by employers is expected to continue, which will benefit the company. Therefore, our buy rating on the stock is premised upon the 15.5% annualized total returns for the medium term, derived from the forecasted earnings-per-share growth of 5.0% and 3.6% dividend yield.

Total Return Breakdown by Year



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Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	20678	20251	20763	19330	19654	21034	21991	20864	18001	20724
Gross Profit	3,442	3,367	3,488	3,296	3,334	3,485	3,579	3,375	2,825	3,408
Gross Margin	16.6%	16.6%	16.8%	17.1%	17.0%	16.6%	16.3%	16.2%	15.7%	16.4%
SG&A Exp.	3,030	2,855	2,768	2,607	2,588	2,695	2,782	2,666	2,570	2,822
D&A Exp.	101	94	84	78	85	84	86	77	76	73
Operating Profit	412	512	720	689	746	789	797	709	254	585
Op. Margin	2.0%	2.5%	3.5%	3.6%	3.8%	3.8%	3.6%	3.4%	1.4%	2.8%
Net Profit	198	288	428	419	444	545	557	466	24	382
Net Margin	1.0%	1.4%	2.1%	2.2%	2.3%	2.6%	2.5%	2.2%	0.1%	1.8%
Free Cash Flow	260	352	255	459	543	346	418	762	886	581
Income Tax	171	188	254	242	258	192	198	220	124	186

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	7,013	7,288	7,181	7,518	7,574	8,884	8,520	9,224	9,328	9,829
Cash & Equivalents	648	738	699	731	599	689	592	1,026	1,567	848
Acc. Receivable	4,179	4,278	4,135	4,243	4,413	5,371	5,276	5,273	4,912	5,448
Goodwill & Int.	1,372	1,400	1,362	1,584	1,534	1,627	1,543	1,529	1,474	2,306
Total Liabilities	4,512	4,374	4,238	4,825	5,128	6,026	5,821	6,462	6,875	7,297
Accounts Payable	1,467	1,524	1,543	1,659	1,914	2,279	2,267	2,475	2,527	3,039
Long-Term Debt	770	518	468	855	825	948	1,075	1,073	1,124	1,118
Total Equity	2,501	2,914	2,943	2,625	2,362	2,775	2,625	2,743	2,441	2,522
D/E Ratio	0.31	0.18	0.16	0.33	0.35	0.34	0.41	0.39	0.46	0.44

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	2.8%	4.0%	5.9%	5.7%	5.9%	6.6%	6.4%	5.2%	0.3%	4.0%
Return on Equity	7.9%	10.6%	14.6%	15.1%	17.8%	21.2%	20.6%	17.4%	0.9%	15.4%
ROIC	6.1%	8.6%	12.5%	12.0%	13.0%	15.4%	14.7%	12.2%	0.6%	10.6%
Shares Out.	76.7	79.4	78.1	73.0	67.0	66.1	60.8	58.7	55.6	53.6
Revenue/Share	258.15	254.40	257.28	248.78	277.60	309.78	337.81	346.00	308.77	374.09
FCF/Share	3.24	4.42	3.16	5.91	7.67	5.10	6.43	12.63	15.19	10.48

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.