



Manpower Group (MAN)

Updated October 30th, 2022, by Ioannis Zourmpanos

Key Metrics

Current Price:	\$79	5 Year CAGR Estimate:	14.7%	Market Cap:	\$4.20 B
Fair Value Price:	\$110	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	05/31/2022
% Fair Value:	72%	5 Year Valuation Multiple Estimate:	6.9%	Dividend Payment Date:	06/15/2022
Dividend Yield:	3.5%	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 October 20th, 2022, the company announced Q3 2022 results, reporting revenue of \$4.8 billion for the quarter, down by 6.6% compared to \$5.1 billion in Q3 2021. However, the company's gross profit increased by 2.9% year-over-year, as the company's gross profit for the quarter reached \$878.5 million compared to \$853.0 million in Q3 2021. The adjusted diluted earnings during the quarter stood at \$2.21 per share, beating the market estimate by \$0.04.

The EBITA margin of 3.7% during Q3 2022 came towards the lower end of the guidance given by the management. The management noted that the strengthening of the dollar during the quarter significantly impacted the results. The company continues to see strong labor demand in the short term despite the headwinds of a macroeconomic slowdown and the adverse impact of the war in Ukraine. However, management also noted that the risk due to a slowdown of the global economy is increasing and remains a concern.

The management also gave guidance for the fourth quarter and expects EPS to be in the range of \$2.11 to \$2.19 during Q4 2022.

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. Following management's guidance for the next quarter, Manpower is on track delivering an EPS between \$8.29-\$8.37 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.

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	9.3	13.0
Avg. Yld.	2.2%	1.4%	1.3%	1.9%	2.2%	1.7%	2.1%	2.5%	3.0%	2.4%	3.5%	2.5%

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Manpower is currently trading at a forward P/E of 9.3, 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 500, reporting a decline of 20.7% 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 stock will trade at a P/E ratio of 13.0 by 2027, which will result in a fair price target of \$140 by the end of 2027, providing an upside potential of 77% from the current market price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

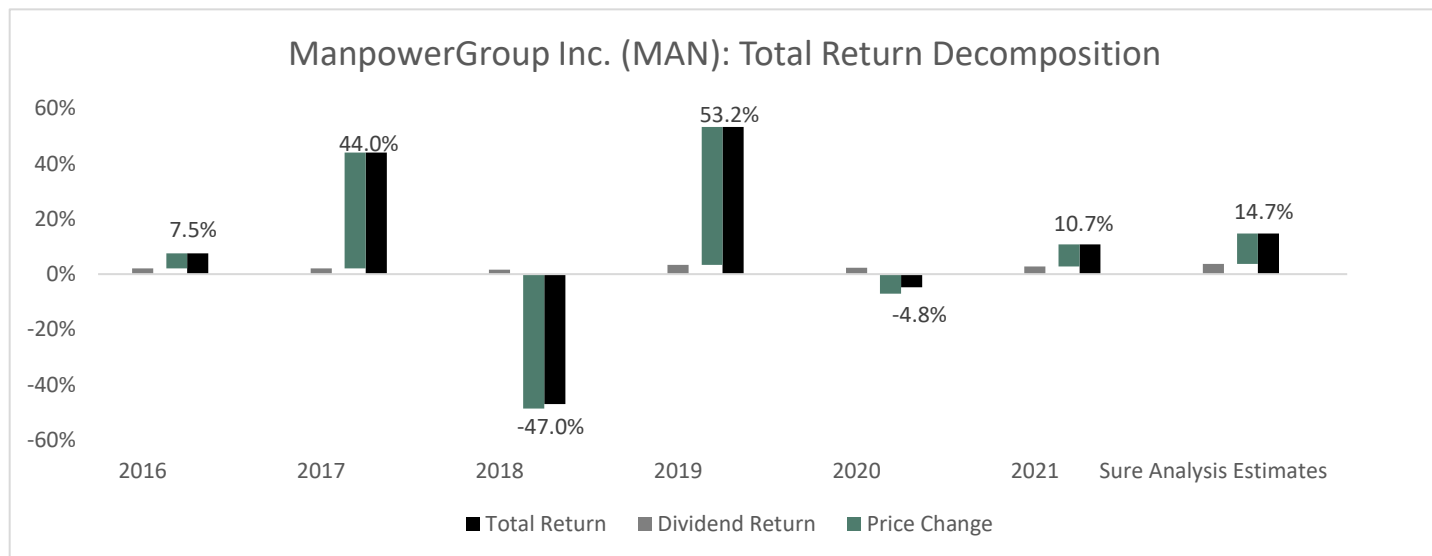
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	29%	21%	18%	30%	27%	27%	24%	28%	551%	36%	32%	32%

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. Additionally, the company also made share repurchases of \$210.0 million, \$264.7 million, and \$203.0 million over the past three years. During the third quarter, the company repurchased 1.14 million shares of stock for \$85 million. 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 a below pre-pandemic rate of 3.5% as of September 2022, 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 14.7 % annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, 3.5% dividend yield, and multiple expansion.

Total Return Breakdown by Year



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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	3442	3367	3488	3296	3334	3485	3579	3375	2825	3408
Gross Margin	3030	2855	2768	2607	2588	2695	2782	2666	2570	2822
SG&A Exp.	101	94	84	78	85	84	86	77	76	73
D&A Exp.	412	512	720	689	746	789	797	709	254	585
Operating Profit	198	288	428	419	444	545	557	466	24	382
Op. Margin	260	352	255	459	543	346	418	762	886	581
Net Profit	171	188	254	242	258	192	198	220	124	186
Net Margin	20678	20251	20763	19330	19654	21034	21991	20864	18001	20724
Free Cash Flow	3442	3367	3488	3296	3334	3485	3579	3375	2825	3408
Income Tax	3030	2855	2768	2607	2588	2695	2782	2666	2570	2822

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	7013	7288	7181	7518	7574	8884	8520	9224	9328	9829
Cash & Equivalents	648	738	699	731	599	689	592	1026	1567	848
Acc. Receivable	4179	4278	4135	4243	4413	5371	5276	5273	4912	5448
Goodwill & Int.	1372	1400	1362	1584	1534	1627	1543	1529	1474	2306
Total Liabilities	4512	4374	4238	4825	5128	6026	5821	6462	6875	7297
Accounts Payable	1467	1524	1543	1659	1914	2279	2267	2475	2527	3039
Long-Term Debt	770	518	468	855	825	948	1075	1073	1124	1118
Total Equity	2501	2914	2943	2625	2362	2775	2625	2743	2441	2522
LTD/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	0.03	0.04	0.06	0.06	0.06	0.07	0.06	0.05	0.00	0.04
Return on Equity	0.08	0.11	0.15	0.15	0.18	0.21	0.21	0.17	0.01	0.15
ROIC	0.06	0.09	0.12	0.12	0.13	0.15	0.15	0.12	0.01	0.11
Shares Out.	80.1	79.6	80.7	77.7	70.8	67.9	65.1	60.3	58.3	55.4
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.

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