Manpower Group (MAN)

Updated July 26th, 2023, by Yiannis Zourmpanos

Key Metrics

Current Price:	$81	**5 Year CAGR Estimate:**	6.1%	**Market Cap:**	$4.2 B
Fair Value Price:	$75	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	11/30/2023[1]
% Fair Value:	108%	**5 Year Valuation Multiple Estimate:**	-1.5%	**Dividend Payment Date:**	12/15/2023
Dividend Yield:	3.6%	**5 Year Price Target**	$96	**Years Of Dividend Growth:**	12
Dividend Risk Score:	D	**Retirement Suitability Score:**	D	**Rating:**	Hold

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 July 20th, 2023, the company announced its second quarter results for 2023, reporting Q2 Non-GAAP EPS of $1.58, missing analysts' estimates by $0.03, and revenue of $4.9 billion, which was down by 3.4% compared to the same period last year. Moreover, the company's gross margins slightly dropped to 17.8% for the second quarter.

Restructuring expenses and non-cash currency translation losses connected to Argentina were incurred in the second quarter, which decreased earnings per share by $0.29. Without these expenses, earnings per share in the quarter were $1.58 per diluted share, a decrease of 31% in constant currency. Finally, the company anticipates third-quarter underlying EPS in the range of $1.32 to $1.42.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$4.44	$5.30	$5.40	$6.27	$6.95	$8.56	$7.72	$0.41	$6.91	$7.08	***$5.77***	***$7.37***
DPS	$0.92	$0.98	$1.60	$1.72	$1.86	$2.02	$2.18	$2.26	$2.52	$2.72	***$2.94***	***$2.38***
Shares	79.4	78.1	73.0	67.0	66.1	60.8	58.7	55.6	53.6	52.2	***51.5***	***41.0***

ManpowerGroup has steadily grown its business over the last decade and achieved EPS growth at a CAGR of 5.3% during the past nine years. In addition, the company has consistently reduced its outstanding share capital through share buybacks increasing shareholder returns. Moreover, ManpowerGroup's digitization, innovation, and acceleration plans, along with sustained investments in technology, are enhancing the company's ability to pursue higher margin opportunities and generate long-term, sustainable value. However, following the recent management's comments in the latest earnings call and the cautious outlook ahead, we have downwardly revised our EPS estimate for 2023 to $5.77, which is the midpoint of analysts' estimates, while we kept cotenant the forecasted growth of 5.0% growth over the next five years leading to our forecasted EPS of $8.66 by 2028.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	14.6	14.3	15.8	12.2	15.9	11.0	11.5	181.4	15.4	11.8	***14.0***	***13.0***
Avg. Yld.	1.4%	1.3%	1.9%	2.2%	1.7%	2.1%	2.5%	3.0%	2.4%	3.2%	***3.6%***	***2.5%***

Manpower has been currently trading at a forward P/E of 14.0, slightly lower than its normalized long-term 9-year average P/E of 13.6 and normalized five-year average P/E of 13.1. The company's strategic positioning is good and will

[1] The ex-div and dividend payment dates are estimated based on historical data.

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continue to do well in the near future. However, the stock is now trading above its long-term historical multiple, with little room for additional multiple expansion. Accordingly, we maintain our estimated P/E multiple for 2028 at 13.0, resulting in a fair value price of $96 by the end of 2028.

Safety, Quality, Competitive Advantage, & Recession Resiliency

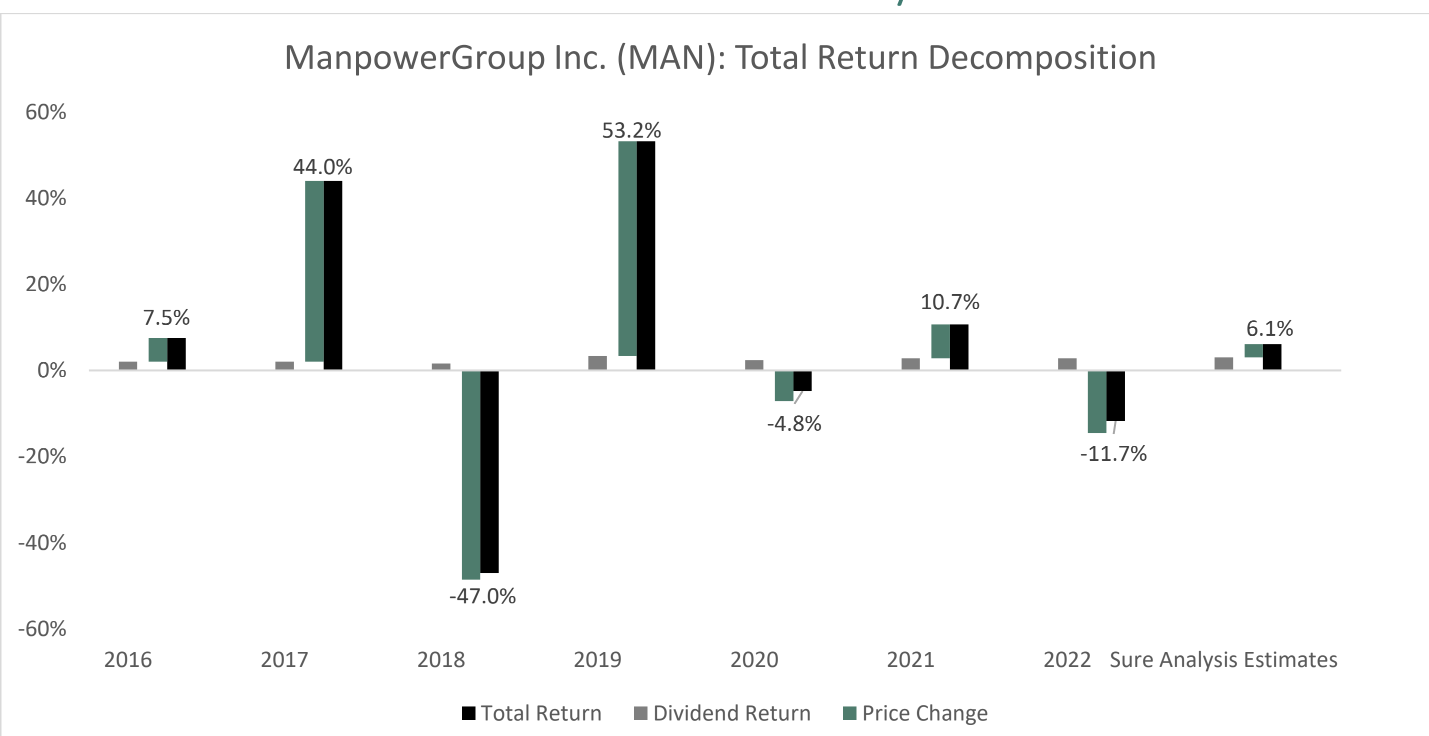
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	21%	18%	30%	27%	27%	24%	28%	551%	36%	*38%*	***51%***	***32%***

Manpower has provided consistent shareholder returns and paid dividends with a 10-year normalized payout ratio averaging 26%. 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 made share repurchases of $270 million in 2022. During the fourth quarter of 2022, the company repurchased 376,000 shares of stock for $25 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 has returned to a below pre-pandemic rate of 3.6% in 2023. 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. However, considering the cautious and macro-outlook, we maintain our hold premised upon the 6.1% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 3.6% dividend yield, and a headwind from multiple contraction.

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	20,251	20,763	19,330	19,654	21,034	21,991	20,864	18,001	20,724	19,828
Gross Profit	3,367	3,488	3,296	3,334	3,485	3,579	3,375	2,825	3,408	3,572
Gross Margin	16.6%	16.8%	17.1%	17.0%	16.6%	16.3%	16.2%	15.7%	16.4%	18.0%
SG&A Exp.	2,855	2,768	2,607	2,588	2,695	2,782	2,666	2,570	2,822	2,941
D&A Exp.	94	84	78	85	84	86	77	76	73	85
Operating Profit	512	720	689	746	789	797	709	254	585	632
Op. Margin	2.5%	3.5%	3.6%	3.8%	3.8%	3.6%	3.4%	1.4%	2.8%	3.2%
Net Profit	288	428	419	444	545	557	466	24	382	374
Net Margin	1.4%	2.1%	2.2%	2.3%	2.6%	2.5%	2.2%	0.1%	1.8%	1.9%
Free Cash Flow	352	255	459	543	346	418	762	886	581	348
Income Tax	188	254	242	258	192	198	220	124	186	183

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	7,288	7,181	7,518	7,574	8,884	8,520	9,224	9,328	9,829	9,130
Cash & Equivalents	738	699	731	599	689	592	1,026	1,567	848	639
Acc. Receivable	4,278	4,135	4,243	4,413	5,371	5,276	5,273	4,912	5,448	5,137
Goodwill & Int.	1,400	1,362	1,584	1,534	1,627	1,543	1,529	1,474	2,306	2,178
Total Liabilities	4,374	4,238	4,825	5,128	6,026	5,821	6,462	6,875	7,297	6,672
Accounts Payable	1,524	1,543	1,659	1,914	2,279	2,267	2,475	2,527	3,039	2,831
Long-Term Debt	518	468	855	825	948	1,075	1,073	1,124	1,118	987
Total Equity	2,914	2,943	2,625	2,362	2,775	2,625	2,743	2,441	2,522	2,447
LTD/E Ratio	0.18	0.16	0.33	0.35	0.34	0.41	0.39	0.46	0.44	0.40

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	4.0%	5.9%	5.7%	5.9%	6.6%	6.4%	5.2%	0.3%	4.0%	3.9%
Return on Equity	10.6%	14.6%	15.1%	17.8%	21.2%	20.6%	17.4%	0.9%	15.4%	15.0%
ROIC	8.6%	12.5%	12.0%	13.0%	15.4%	14.7%	12.2%	0.6%	10.6%	10.5%
Shares Out.	79.6	80.7	77.7	70.8	67.9	65.1	60.3	58.3	55.4	52.8
Revenue/Share	254.40	257.28	248.78	277.60	309.78	337.81	346.00	308.77	374.09	375.52
FCF/Share	4.42	3.16	5.91	7.67	5.10	6.43	12.63	15.19	10.48	6.59

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