Manpower Group (MAN)

Updated November 15th, 2022, by Ioannis Zourmpanos

Key Metrics

Current Price:	$74	**5 Year CAGR Estimate:**	9.5%	**Market Cap:**	$3.8 B
Fair Value Price:	$75	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	11/30/2023
% Fair Value:	99%	**5 Year Valuation Multiple Estimate:**	0.2%	**Dividend Payment Date:**	12/15/2023
Dividend Yield:	4.0%	**5 Year Price Target**	$96	**Years Of Dividend Growth:**	13
Dividend Risk Score:	D	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

ManpowerGroup Inc. (MAN) 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%), and other parts of the Americas (7%).

On October 19th 2023, the company announced Q3 2022 results reporting Q3 non-GAAP EPS of $1.38, which beat analysts' estimates by $0.04 and revenue of $4.68 billion for the quarter, which was down by 3.0% year over year. The drop in revenue and earnings was partly attributed to several factors. The quarter included restructuring costs and losses from the sale of their Philippines business, along with non-cash currency translation losses due to the devaluation of the Argentine peso. These factors collectively reduced the earnings per share by $0.78. When excluding these costs, the adjusted earnings per share stood at $1.38, reflecting a 39% decrease in constant currency terms.

Building upon ManpowerGroup's third-quarter financial performance, the company guided for the upcoming fourth quarter of 2023. They anticipate diluted earnings per share to range between $1.17 and $1.27. However, it is important to note that this guidance excludes anticipated restructuring costs and any potential impact from non-cash currency translation losses related to Argentina.

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***	***$5.18***
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% since 2013. In addition, the company has consistently reduced its outstanding share capital through share buybacks, increasing shareholder returns. Moreover, ManpowerGroup's digitization, innovation, acceleration plans, and sustained investments in technology enhance the company's ability to pursue higher margin opportunities and generate long-term, sustainable value. We have maintained our EPS estimates for 2023 at $5.77 while we kept the forecasted growth of 5.0% over the next five years, leading to our forecasted EPS of $7.37 by 2028. Similarly, the DPS estimate stands at $2.94 for 2023, and we have applied a forecasted growth of 12.0% for the next five years, in line with MAN's 10-year CAGR of 12.8%, leading to our $5.18 DPS estimate 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	***12.8***	***13.0***
Avg. Yld.	1.4%	1.3%	1.9%	2.2%	1.7%	2.1%	2.5%	3.0%	2.4%	3.2%	***4.0%***	***5.4%***

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Manpower has been currently trading at a forward P/E of 12.8, lower than its normalized long-term average P/E of 13.6 and normalized five-year average P/E of 13.1. We believe that the company's strategic positioning is good and will continue to thrive in the near future. Hence, the current price has a significant upside once the interest rate environment eases 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 2028, resulting in a price target of $96 by 2028.

Safety, Quality, Competitive Advantage, & Recession Resiliency

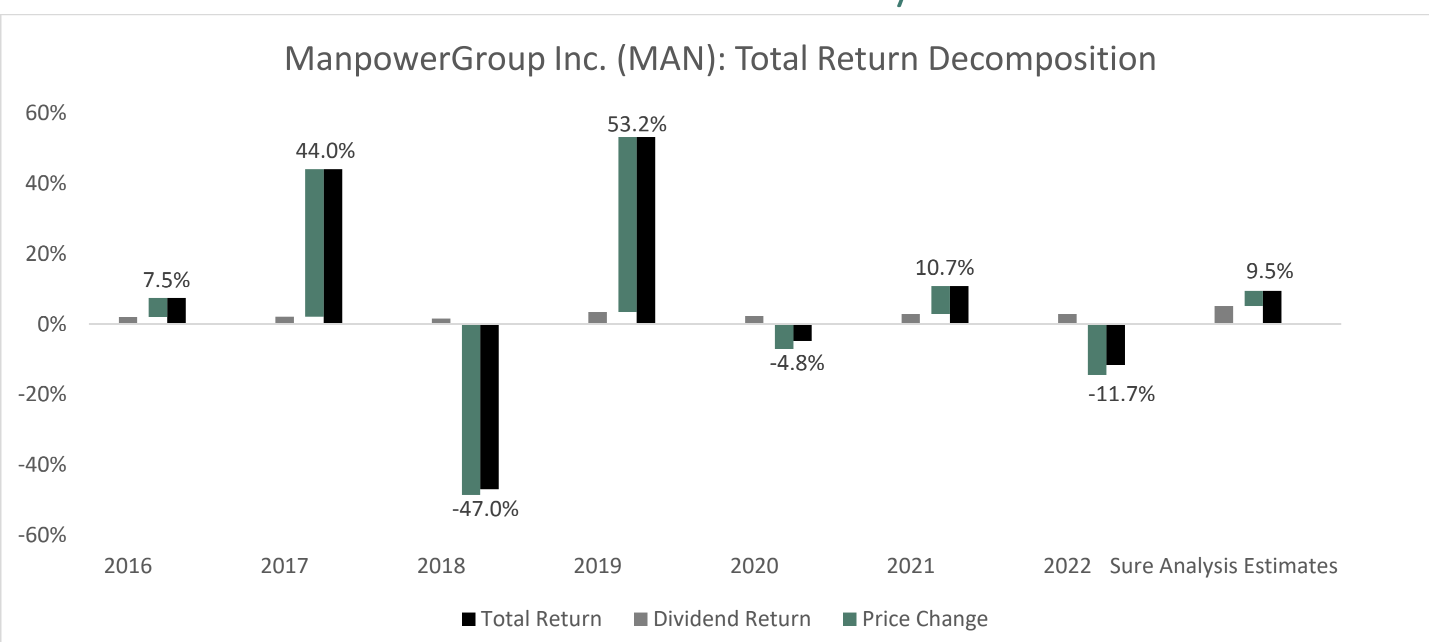
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	21%	18%	30%	27%	27%	24%	28%	551%	36%	38%	***51%***	***32%***

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 third quarter of 2023, the company repurchased $50 million of common stock. 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, and 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 3.9% 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 9.5% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 4.0% dividend yield, and multiple expansion.

Total Return Breakdown by Year



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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.