Manpower Group (MAN)

Updated February 12th, 2024, by Ioannis Zourmpanos

Key Metrics

Current Price:	$73	**5 Year CAGR Estimate:**	6.6%	**Market Cap:**	$3.8 B
Fair Value Price:	$62	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	05/31/2024[1]
% Fair Value:	118%	**5 Year Valuation Multiple Estimate:**	-3.1%	**Dividend Payment Date:**	06/14/2024[2]
Dividend Yield:	4.0%	**5 Year Price Target**	$80	**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 revenues), Southern Europe (45%), Northern Europe (23%), Asia Pacific/Middle East (12%), and other parts of the Americas (7%).

On January 20th, 2024, the company announced Q4 2023 results with non-GAAP EPS of $1.45 beating analysts' estimates by $0.25 and revenue of $4.63 billion for the quarter, which was down by 3.7% year over year. ManpowerGroup reported Q4 2023 net earnings transitioned to losses of $84.5 million from last year's net income. A fall mainly attributable to restructuring costs, non-cash charges, and currency translation losses, which together led to a significant compression of $3.18 per share from earnings.

Adjusted earnings per diluted share came in at $1.45, down 30% in constant currency terms. Total revenues were off 4% to $4.6 billion, reflecting the stronger U.S. dollar in financial outcomes. The fourth quarter and full year results highlighted the company's challenging operating conditions in North America and Europe, contrasting with strong demand in Latin America and the Asia Pacific Middle East regions. For the full year, net income came in at $88.8 million, down by a steep margin from the previous year, while adjusted earnings per share came in at $6.04. Revenue for the year was at $18.9 billion, a drop of 5% from last year, which it partly blamed on currency oscillation effects.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$5.30	$5.40	$6.27	$6.95	$8.56	$7.72	$0.41	$6.91	$7.08	$6.04	***$4.80***	***$6.13***
DPS	$0.98	$1.60	$1.72	$1.86	$2.02	$2.18	$2.26	$2.52	$2.72	$2.94	***$2.94***	***$5.18***
Shares[3]	78.1	73.0	67.0	66.1	60.8	58.7	55.6	53.6	52.2	51.5	***51.5***	***41.6***

ManpowerGroup's growth was muted over the last decade, with an EPS growth at a CAGR of 0.9% since 2014. In addition, the company has consistently reduced its outstanding share capital through share buybacks, increasing shareholder returns, with a DPS CAGR of 13.0% for the past decade. 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 matched analysts' EPS estimates at $4.80 while we maintain the forecasted growth of 5.0% over the next five years, leading to our forecasted EPS of $6.13 by 2029. Similarly, the DPS estimate stands at $2.94 for 2024, and we have applied a forecasted growth of 12.0% for the next five years, in line with MAN's 10-year CAGR of 13.0%, leading to our $5.18 DPS estimate by 2029.

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[1] Estimated ex-dividend date.

[2] Estimated dividend payment date

[3] In millions.

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	14.3	15.8	12.2	15.9	11.0	11.5	181.4	15.4	12.1	12.8	***15.2***	***13.0***
Avg. Yld.	1.3%	1.9%	2.2%	1.7%	2.1%	2.5%	3.0%	2.4%	3.2%	4.0%	***4.0%***	***6.5%***

Manpower has been currently trading at a forward P/E of 15.2, lower than its long-term average P/E of 13.4 and five-year average P/E of 12.6. 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 reassigns a fairer P/E to the stock. We have estimated the stock will trade at a P/E ratio of 13.0 by 2029, resulting in a price target of $80.

Safety, Quality, Competitive Advantage, & Recession Resiliency

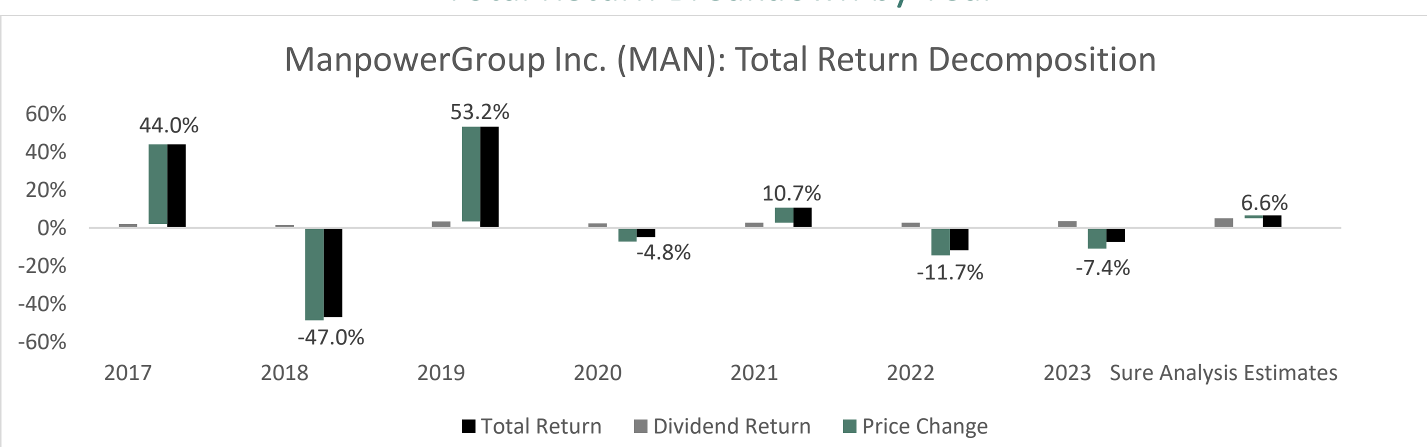
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	18%	30%	27%	27%	24%	28%	551%	36%	38%	51%	***61%***	***85%***

Manpower has provided consistent shareholder returns and paid dividends with a 10-year payout ratio averaging 83%. We expect the company to maintain its healthy payout ratio in the future and have assumed a payout ratio of 85% going forward. Additionally, the company made share repurchases of $270 million in 2022 and $179.8 million in 2023. 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 3.7%. 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 rating premised upon the 6.6% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0% and the 4.0% dividend yield, offset by multiple compression.

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.