Manpower Group (MAN)

Updated May 10th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$77	**5 Year CAGR Estimate:**	6.0%	**Market Cap:**	$3.96 B
Fair Value Price:	$64	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	06/03/2024
% Fair Value:	121%	**5 Year Valuation Multiple Estimate:**	-3.7%	**Dividend Payment Date:**	06/14/2024
Dividend Yield:	4.0%	**5 Year Price Target**	$81	**Years Of Dividend Growth:**	14
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 April 18th, 2024, the company announced Q1 2024 results reporting non-GAAP EPS of $0.81 that missed analysts' estimates by $0.04. Revenue of $4.4 billion for the quarter was down by 7.3% year-over-year and lower by 5% in constant currency. This decline in revenues reflects ongoing market challenges in North America and Europe, while solid demand was evident in Latin America and the Asia-Pacific region.

The company's strategic financial decisions were evident in the quarter. The company maintained a strong 17.3% gross margin, slightly adjusted to 17.5%, as it balanced the pressure with the robustness of staffing margins and stabilization in permanent recruitment at reduced rates. Management also moderated the incidence of selling, general, and administrative expenses to 6% reported and 5% in constant currency year-over-year, demonstrating its commitment to efficient financial management.

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	$5.77	***$4.90***	***$6.26***
DPS	$0.98	$1.60	$1.72	$1.86	$2.02	$2.18	$2.26	$2.52	$2.72	$2.94	***$3.08***	***$5.43***
Shares[1]	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 $4.90 while we kept the forecasted growth of 5.0% over the next five years, leading to our forecasted EPS of $6.26 by 2029. Similarly, the DPS estimate stands at $3.08 for 2024, and we have applied a forecasted growth of 12.0% for the next five years, nearly in-line with MAN's 10-year CAGR of 13.0%, leading to our $5.43 DPS estimate by 2029.

[1] In millions.

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	14.3	15.8	12.2	15.9	11.0	11.5	181.4	15.4	12.1	12.8	***15.7***	***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%***	***6.7%***

Manpower is currently trading at a forward P/E of 15.7, lower than its normalized long-term average P/E of 13.4 and its normalized five-year average P/E of 12.6. We believe that the company's strategic positioning is solid and will continue to thrive in the near future, but shares trade ahead of our fair value estimate of 13. As a result, our price target is $81 for the stock.

Safety, Quality, Competitive Advantage, & Recession Resiliency

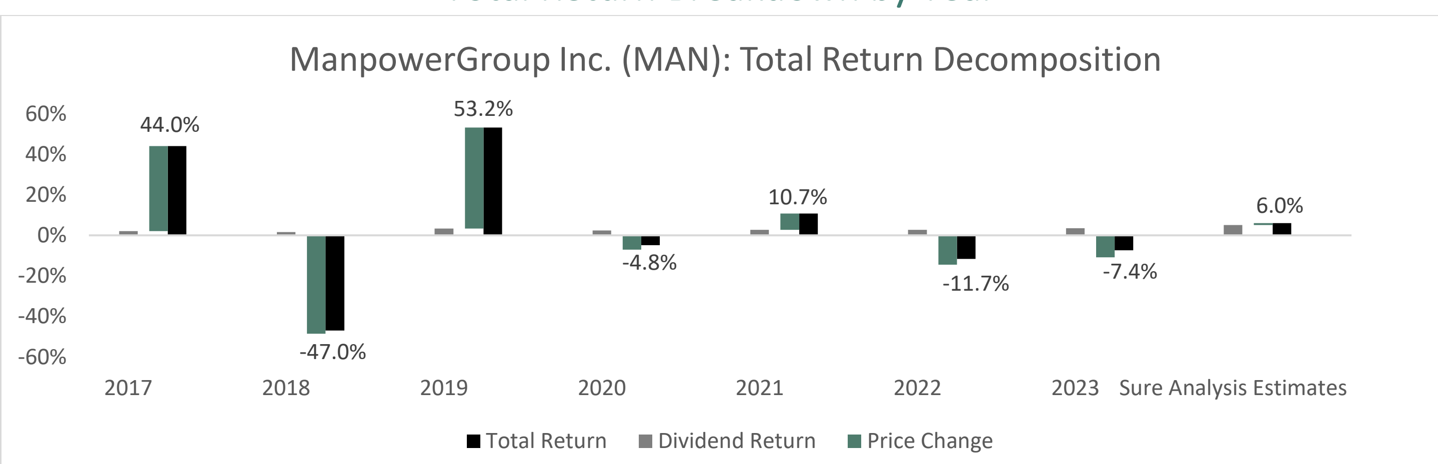
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	18%	30%	27%	27%	24%	28%	551%	36%	38%	51%	***63%***	***87%***

Manpower has provided consistent shareholder returns and paid dividends with a 10-year normalized 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. During Q1, ManpowerGroup repurchased $50 million of common stock and continued to generate strong cash flow. 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 3.5% in 2024. 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 6.0% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 4.0% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	20,763	19,330	19,654	21,034	21,991	20,864	18,001	20,724	19,828	18,910
Gross Profit	3,488	3,296	3,334	3,485	3,579	3,375	2,825	3,408	3,572	3,358
Gross Margin	16.8%	17.1%	17.0%	16.6%	16.3%	16.2%	15.7%	16.4%	18.0%	17.8%
SG&A Exp.	2,768	2,607	2,588	2,695	2,782	2,666	2,570	2,822	2,941	3,047
D&A Exp.	84	78	85	84	86	77	76	73	85	89
Operating Profit	720	689	746	789	797	709	254	585	632	311
Op. Margin	3.5%	3.6%	3.8%	3.8%	3.6%	3.4%	1.4%	2.8%	3.2%	1.6%
Net Profit	428	419	444	545	557	466	24	382	374	89
Net Margin	2.1%	2.2%	2.3%	2.6%	2.5%	2.2%	0.1%	1.8%	1.9%	0.5%
Free Cash Flow	255	459	543	346	418	762	886	581	348	270
Income Tax	254	242	258	192	198	220	124	186	183	117

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	7,181	7,518	7,574	8,884	8,520	9,224	9,328	9,829	9,130	8,830
Cash & Equivalents	699	731	599	689	592	1,026	1,567	848	639	581
Acc. Receivable	4,135	4,243	4,413	5,371	5,276	5,273	4,912	5,448	5,137	4,830
Goodwill & Int.	1,362	1,584	1,534	1,627	1,543	1,529	1,474	2,306	2,178	2,106
Total Liabilities	4,238	4,825	5,128	6,026	5,821	6,462	6,875	7,297	6,672	6,596
Accounts Payable	1,543	1,659	1,914	2,279	2,267	2,475	2,527	3,039	2,831	2,723
Long-Term Debt	468	855	825	948	1,075	1,073	1,124	1,118	987	1,003
Total Equity	2,943	2,625	2,362	2,775	2,625	2,743	2,441	2,522	2,447	2,223
LTD/E Ratio	0.16	0.33	0.35	0.34	0.41	0.39	0.46	0.44	0.40	0.45

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.9%	5.7%	5.9%	6.6%	6.4%	5.2%	0.3%	4.0%	3.9%	1.0%
Return on Equity	14.6%	15.1%	17.8%	21.2%	20.6%	17.4%	0.9%	15.4%	15.0%	3.8%
ROIC	12.5%	12.0%	13.0%	15.4%	14.7%	12.2%	0.6%	10.6%	10.5%	2.7%
Shares Out.	80.7	77.7	70.8	67.9	65.1	60.3	58.3	55.4	52.8	50.4
Revenue/Share	257.28	248.78	277.60	309.78	337.81	346.00	308.77	374.09	375.52	375.29
FCF/Share	3.16	5.91	7.67	5.10	6.43	12.63	15.19	10.48	6.59	5.36

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