Manpower Group (MAN)

Updated August 19th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$71	**5 Year CAGR Estimate:**	7.6%	**Market Cap:**	$3.67 B
Fair Value Price:	$63	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	11/29/2024[1]
% Fair Value:	112%	**5 Year Valuation Multiple Estimate:**	-2.3%	**Dividend Payment Date:**	12/13/2024[2]
Dividend Yield:	4.3%	**5 Year Price Target**	$81	**Years Of Dividend Growth:**	14
Dividend Risk Score:	D	**Retirement Suitability Score:**	C	**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 July 18th, 2024, the company announced Q2 2024 results, reporting Q2 non-GAAP EPS of $1.30, beating analysts' estimates by $0.03, and revenue of $4.52 billion for the quarter, which was down by 7.0% year over year. Revenues reached $4.4 billion, down 7% from the year-ago quarter or lower by 5% in constant currency.

Final run-off losses related to the Proservia Germany business took $0.06 off earnings per share in the second quarter. Removing losses, earnings per share of $1.30 decreased 12% at constant currency. In addition to the losses, financial results were hurt by fluctuations in the U.S. dollar against foreign currencies, which were also negative to EPS. The foreign currency impact was negative 7 cents a share to second-quarter guidance and -8 cents per share reported. Excluding this impact, revenues on a constant currency basis would have decreased by 3%.

Looking ahead, ManpowerGroup expects diluted earnings per share for the third quarter to be between $1.25 and $1.35. This forecast includes an estimated unfavorable currency impact of 5 cents per share and excludes any potential restructuring costs or non-cash currency translation losses related to Argentina.

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	***$4.88***	***$6.22***
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[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 $4.88 while we kept the forecasted growth of 5.0% over the next five years, leading to our forecasted EPS of $6.22 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, in line with MAN's 10-year CAGR of 13.0%, leading to our $5.43 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	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	***14.6***	***13.0***
Avg. Yld.	1.3%	1.9%	2.2%	1.7%	2.1%	2.5%	3.0%	2.4%	3.2%	4.0%	***4.3%***	***6.7%***

Manpower has been currently trading at a forward P/E of 14.6, higher than its normalized long-term average P/E of 13.4 and 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. 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 2029, resulting in a price target of $81.

Safety, Quality, Competitive Advantage, & Recession Resiliency

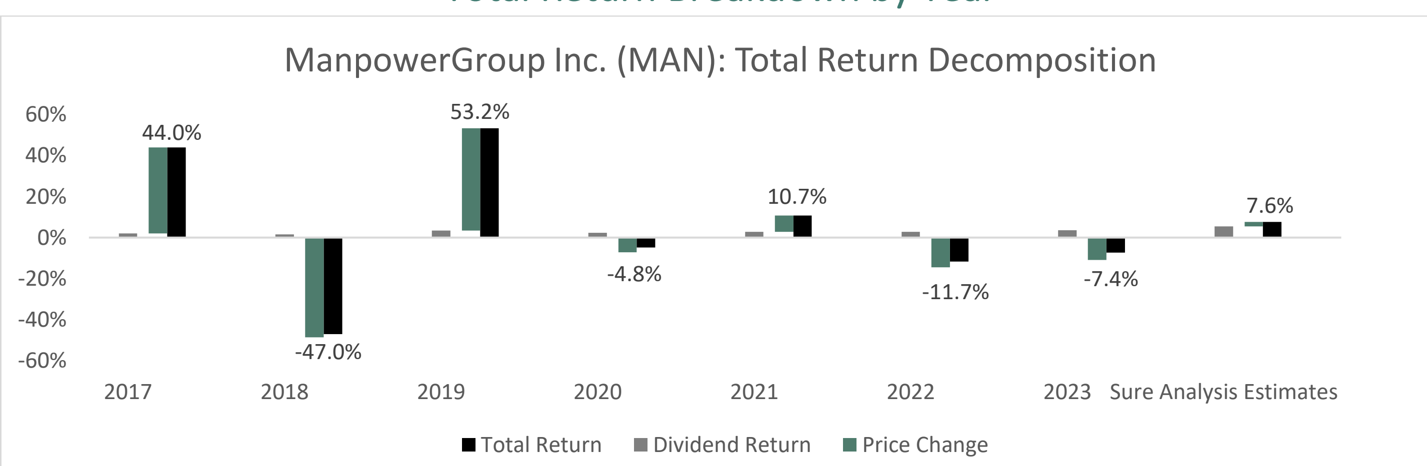
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	18%	30%	27%	27%	24%	28%	551%	36%	38%	51%	***63%***	***87%***

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 Q2, ManpowerGroup repurchased $27 million of its common stock, demonstrating its ongoing commitment to returning value to shareholders. 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 4.3% 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 7.6% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 4.3% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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	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.