

ManpowerGroup Inc.(MAN)

\$69.68 (As of 06/18/20)

Price Target (6-12 Months): **\$74.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/25/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: D

Summary

ManpowerGroup has witnessed solid growth at its solutions business, especially in Managed Service Provider (MSP) and Recruitment Process Outsourcing (RPO) solutions, through 2019. Notably, RPO and MSP have been the highest margin businesses. Acquisitions boost ManpowerGroup's diverse portfolio and support its top-line growth. The company has been consistently rewarding its shareholders through dividend payments and share buybacks. On the flip side, challenging market environment in Europe continues to weigh on ManpowerGroup's top line. Rising expenses due to investments in digital and restructuring activities is weighing on the company's bottom line. Staffing margin pressure is also likely to weigh on ManpowerGroup's Southern Europe segment. Partly due to these negatives, shares of ManpowerGroup have declined in the past year.

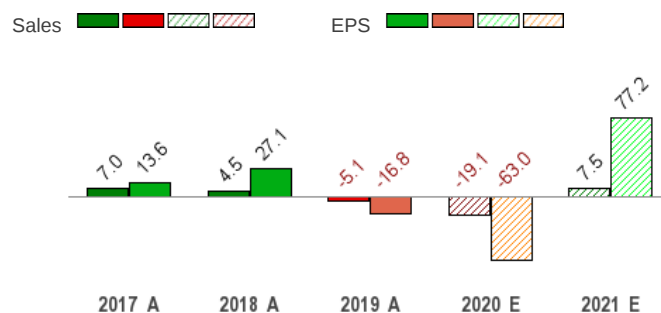
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$100.99 - \$49.57
20 Day Average Volume (sh)	1,003,783
Market Cap	\$4.0 B
YTD Price Change	-28.2%
Beta	2.00
Dividend / Div Yld	\$2.18 / 3.1%
Industry	Staffing Firms
Zacks Industry Rank	Bottom 32% (171 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-2.7%
Last Sales Surprise	13.4%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	07/17/2020
Earnings ESP	0.0%
P/E TTM	10.2
P/E F1	25.3
PEG F1	16.8
P/S TTM	0.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	4,446 E	4,375 E	4,641 E	5,056 E	18,142 E
2020	4,619 A	3,799 E	4,013 E	4,319 E	16,877 E
2019	5,045 A	5,373 A	5,249 A	5,197 A	20,864 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.82 E	\$1.14 E	\$1.54 E	\$1.78 E	\$4.89 E
2020	\$0.71 A	\$0.08 E	\$0.68 E	\$1.11 E	\$2.76 E
2019	\$1.39 A	\$2.05 A	\$1.92 A	\$2.15 A	\$7.45 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/18/2020. The reports text is as of 06/19/2020.

Overview

ManpowerGroup is one of the leading providers of innovative workforce solutions and services across the globe. The company has a well-established network of 2,500 offices in 75 countries and territories. ManpowerGroup provides its wide range of staffing solutions as well as engagement and consulting services through its four major brands – Manpower (contingent staffing and permanent recruitment), ManpowerGroup Solutions (outsourcing services for large-scale recruiting), Experis (Professional Resourcing and project-based workforce solutions) and Right Management (career transition and organizational consulting services).

The company operates through five reportable segments –

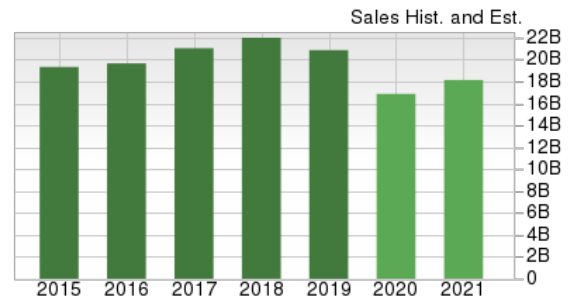
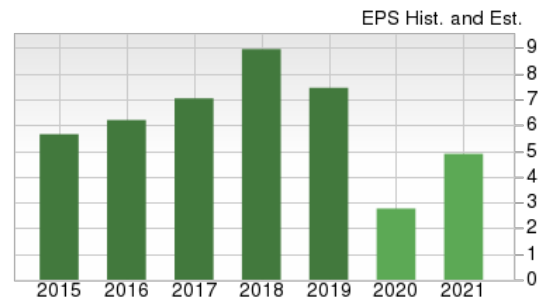
Americas (20% of 2019 revenues): The segment includes United States and Other Americas. The segment had 562 branch and 172 franchise offices. In 2019, nearly 37% of temporary and contract recruitment revenues were earned from placing industrial staff, 23% from placing office staff and 40% from placing professional and technical staff.

Southern Europe (44%): The segment includes France, Italy and Other Southern Europe. As of Dec 31, 2019, the segment had 1,126 branch offices and 49 franchise offices. In 2019, almost 73% of revenues were earned from placing industrial staff, 14% from placing office staff and 13% from placing professional and technical staff.

Northern Europe (22%): The company's largest operations in Northern Europe are in the United Kingdom, Germany, the Nordics and the Netherlands. Collectively, it operates through 399 branch offices in this region. In 2019, roughly 39% of revenues were earned from placing industrial staff, 22% from placing office staff and 39% from placing professional and technical staff.

Asia Pacific & Middle East (APME) (13%): With 137 branch offices in the region, the company has operations in Japan, Australia, India, Greater China and Korea. In 2019, almost 10% of APME revenues were earned from placing industrial staff, 59% from placing office staff and 31% from placing professional and technical staff.

Right Management (1%): Segmental revenues are earned from outplacement and talent management services.



Reasons To Buy:

- ▲ ManpowerGroup is trying to mitigate its ongoing revenue softness through **strong pricing discipline and cost control**. It has witnessed strong growth in the solutions business, especially in Managed Service Provider (MSP) and Recruitment Process Outsourcing (RPO) solutions, through 2019. Notably, RPO and MSP have been the highest margin businesses for ManpowerGroup.
 - ▲ In a bid to increase productivity and efficiency, the company is making significant **investments in technology**. It is implementing front office systems, cloud-based and mobile applications, and making enhancements to its global technology infrastructure across several markets. The company is also investing in digitalization of its workforce solutions.
 - ▲ **Acquisitions** will continue to support ManpowerGroup's top-line growth. The company has been consistently acquiring and investing in companies globally. These include acquisition of Switzerland Manpower franchise (in April 2019), LearnUp (a recruitment company acquired in 2017), CIBER, Inc (a global information technology consulting, services and outsourcing company bought in 2016) and others purchased earlier. With the buyout of different companies, ManpowerGroup continues to strengthen its diverse portfolio.
 - ▲ Commitment to **shareholder returns** makes ManpowerGroup a reliable way for investors to compound wealth over long term. The company returned \$203 million, \$500.7 million and \$203.9 million through share repurchases and made dividend payments of \$129.3 million, \$127.3 million and \$123.7 million, respectively in 2019, 2018 and 2017. These initiatives not only instill investors' confidence but also positively impact earnings per share.
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ManpowerGroup's top-line is benefiting from acquisitions, strong pricing discipline and cost control.

Reasons To Sell:

- ▼ Southern Europe, the company's largest reportable segment (44% of 2019 revenues), is likely to continue to experience **staffing margin pressure**, resulting from the coronavirus pandemic, loss of competitiveness, employment (CICE) subsidy and impact of the strikes in France. Coronavirus-related work restrictions in the company's largest markets are expected to continue weighing on revenues that declined 8.4% year over year in the last reported quarter. This may weigh on its share price, which has declined 28.2% year to date.
- ▼ ManpowerGroup operates in 75 countries and territories around the world. Its vast international presence exposes it to the **risks associated with foreign currency exchange rate fluctuations**. Evidently, loss related to foreign exchange movements came in at \$6.7 million in 2019. The company earned nearly 88% of revenues from outside the United States in 2019, the majority of which were generated in Europe.
- ▼ **Escalation in costs** due to investments in digital and restructuring activities may decelerate ManpowerGroup's bottom-line growth. Challenging market environment in Europe has been weighing on the company's top line. Also, penetration rates will be lower in emerging markets in the near to mid-term as these take time to mature.
- ▼ ManpowerGroup's total debt to total capital ratio of 0.33 is higher than the industry's 0.29 and the previous quarter's 0.32. An increase in debt to capitalization ratio indicates higher risk of insolvency in challenging times. Further, the company's cash and cash equivalent of \$1.10 billion at the end of the first quarter was well below this debt level, underscoring that the company **doesn't have enough cash to meet this debt burden**. The cash level, however, can meet the short-term debt of \$48 million.

Staffing margin pressure and cost escalation weigh on ManpowerGroup's bottom-line.

Last Earnings Report

ManpowerGroup Misses Q1 Earnings Estimate

ManpowerGroup reported mixed first-quarter 2020 results, with earnings missing the Zacks Consensus Estimate but revenues beating the same.

Quarterly adjusted earnings of 71 cents per share missed the Zacks Consensus Estimate by 2.7% and slumped 48.9% year over year.

Revenues of \$4.62 billion beat the consensus estimate by 13.4%. The figure, however, declined 8.4% year over year on a reported basis and 5.9% on a constant-currency basis. The decline reflects impact of the coronavirus-related work restrictions in the company's largest markets.

Quarter Ending **03/2020**

Report Date	Apr 21, 2020
Sales Surprise	13.36%
EPS Surprise	-2.74%
Quarterly EPS	0.71
Annual EPS (TTM)	6.83

Segmental Revenues

Revenues from **America** totaled \$1.01 billion, down 1.9% year over year on a reported basis but up 1.2% on a constant-currency basis. In the United States, revenues came in at \$610.9 million, down 2%, both on reported and constant-currency basis. In the Other Americas subgroup, revenues of \$400.1 million decreased 1.7% on a reported basis but improved 6.1% on a constant-currency basis. Americas contributed 22% to total revenues.

Revenues from **Southern Europe** were down 7.8% on a reported basis and 5.5% on a constant-currency basis to \$1.94 billion. Revenues from France came in at \$1.09 billion, down 16.2% on a reported basis and 13.7% on a constant-currency basis. Revenues from Italy were \$327.7 million, down 8% on a reported basis and 5.3% on a constant-currency basis. The Other Southern Europe subsegment generated revenues of \$523.2 million, up 17.2% on a reported basis and 18.3% on a constant-currency basis. Southern Europe contributed 42% to total revenues.

Northern Europe revenues slid 11% on a reported basis and 7.9% on a constant-currency basis to \$1.07 billion. The segment accounted for 23% of total revenues in the quarter.

APME revenues totaled \$594.9 million, down 15.7% on a reported basis and 14% on a constant-currency basis. The segment contributed 13% to total revenues.

Operating Performance

Gross profit in the quarter was \$724 million, down 10% year over year on a reported basis and 7.7% on a constant-currency basis. Gross profit margin came in at 15.7%, down 30 basis points (bps) year over year.

Operating profit of \$37.7 million plummeted 64.2% year over year on a reported basis and 62.7% on a constant-currency basis. Operating profit margin came in at 0.8%, down 127 bps year over year.

Balance Sheet and Cash Flow

ManpowerGroup exited the first quarter with cash and cash equivalents balance of \$1.1 billion compared with the prior quarter's \$1.03 billion. Long-term debt at the end of the quarter was \$995.6 million compared with the \$1.01 billion witnessed in the preceding quarter.

The company generated \$181 million of cash from operating activities, and Capex was \$9.1 million in the quarter. ManpowerGroup repurchased \$63.8 million of common stock in the quarter.

Valuation

ManpowerGroup shares are down 28.2% in the year-to-date period and 26.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are down 26.5% and 2.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 30.7% and 2.2%, respectively.

The S&P 500 index is down 3.3% in the year-to-date period but up 5.4% in the past year.

The stock is currently trading at trailing 12-month EV/EBITDA of 6.64X, which compares to 4.92X for the Zacks sub-industry, 12.31X for the Zacks sector and 11.53X for the S&P 500 index.

Over the past five years, the stock has traded as high as 10.92X and as low as 4.76X, with a 5-year median of 7.54X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$74.00 price target reflects 19.73X forward 12-month earnings.

The table below shows summary valuation data for MAN

Valuation Multiples - MAN					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	6.64	4.92	12.31	11.53
	5-Year High	10.92	9.76	13.33	12.85
	5-Year Low	4.76	3.73	8.53	8.25
	5-Year Median	7.54	7.5	10.52	10.82
P/E F 12M	Current	18.57	15.67	29.54	22.4
	5-Year High	22.04	17.07	29.54	22.4
	5-Year Low	6.69	8.43	18.68	15.23
	5-Year Median	12.7	14.24	20.77	17.49
P/S F 12M	Current	0.23	0.34	4.06	3.49
	5-Year High	0.41	0.55	4.06	3.49
	5-Year Low	0.15	0.24	3.05	2.53
	5-Year Median	0.27	0.44	3.57	3.02

As of 06/18/2020

Industry Analysis Zacks Industry Rank: Bottom 32% (171 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
BG Staffing Inc (BGSF)	Neutral	3
HeidrickStruggles International, Inc. (HSII)	Neutral	2
Kelly Services, Inc. (KELYA)	Neutral	4
Kforce, Inc. (KFRC)	Neutral	2
KornFerry International (KFY)	Neutral	3
Insperity, Inc. (NSP)	Neutral	4
Robert Half International Inc. (RHI)	Neutral	3
TrueBlue, Inc. (TBI)	Neutral	4

Industry Comparison Industry: Staffing Firms				Industry Peers		
	MAN	X Industry	S&P 500	KFY	NSP	RHI
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	A	-	-	A	B	A
Market Cap	4.04 B	532.50 M	21.93 B	1.64 B	2.37 B	5.92 B
# of Analysts	5	2	14	3	3	7
Dividend Yield	3.13%	1.34%	1.93%	1.34%	2.62%	2.63%
Value Score	B	-	-	A	B	B
Cash/Price	0.27	0.10	0.06	0.37	0.22	0.04
EV/EBITDA	5.90	5.90	12.69	8.24	10.03	8.46
PEG Ratio	16.84	5.36	2.97	NA	1.20	8.13
Price/Book (P/B)	1.55	1.58	3.02	1.29	NA	5.25
Price/Cash Flow (P/CF)	7.80	7.49	11.62	7.19	13.61	11.46
P/E (F1)	25.26	20.60	21.45	18.24	18.00	21.70
Price/Sales (P/S)	0.20	0.35	2.33	0.81	0.54	0.97
Earnings Yield	3.96%	4.61%	4.37%	5.49%	5.55%	4.61%
Debt/Equity	0.50	0.27	0.77	0.46	-111.60	0.18
Cash Flow (\$/share)	8.93	2.17	7.01	4.15	4.48	4.51
Growth Score	A	-	-	B	B	B
Hist. EPS Growth (3-5 yrs)	9.83%	10.00%	10.87%	14.40%	40.36%	10.16%
Proj. EPS Growth (F1/F0)	-62.90%	-60.74%	-10.65%	-39.00%	-18.31%	-38.94%
Curr. Cash Flow Growth	-21.23%	7.17%	5.46%	15.36%	9.10%	3.72%
Hist. Cash Flow Growth (3-5 yrs)	0.59%	14.32%	8.55%	17.50%	27.33%	8.05%
Current Ratio	1.49	1.76	1.29	2.14	1.21	1.76
Debt/Capital	33.21%	33.94%	45.14%	31.52%	98.51%	15.34%
Net Margin	2.02%	2.13%	10.53%	7.68%	3.12%	7.11%
Return on Equity	15.12%	14.47%	16.06%	14.14%	310.00%	38.67%
Sales/Assets	2.29	2.14	0.55	0.82	3.18	2.68
Proj. Sales Growth (F1/F0)	-19.11%	-7.70%	-2.61%	-13.08%	-3.87%	-14.39%
Momentum Score	D	-	-	B	D	C
Daily Price Chg	-1.33%	-0.61%	-0.07%	-2.16%	1.72%	-1.60%
1 Week Price Chg	-11.97%	-11.40%	-7.25%	-14.78%	-10.37%	-11.40%
4 Week Price Chg	-2.60%	6.52%	6.92%	1.39%	25.94%	6.56%
12 Week Price Chg	21.75%	13.56%	16.91%	12.68%	55.29%	18.91%
52 Week Price Chg	-26.40%	-29.82%	-5.63%	-38.48%	-50.44%	-9.84%
20 Day Average Volume	1,003,783	144,965	2,574,456	343,860	448,135	1,301,406
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 12 week change	-59.45%	-49.51%	-14.21%	-11.53%	-19.79%	-39.01%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	A
Momentum Score	D
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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