

ManpowerGroup Inc.(MAN)

\$55.18 (As of 03/30/20)

Price Target (6-12 Months): **\$60.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/20/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: F

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.

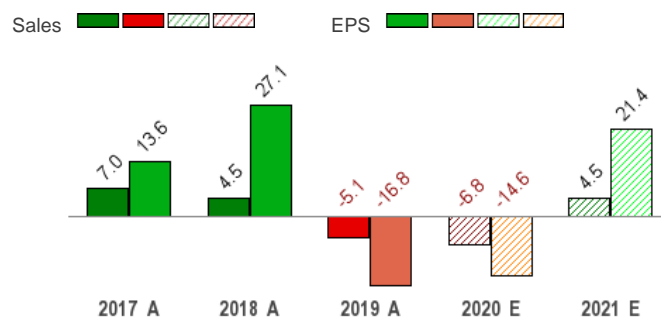
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$100.99 - \$49.57
20 Day Average Volume (sh)	972,992
Market Cap	\$3.2 B
YTD Price Change	-43.2%
Beta	1.71
Dividend / Div Yld	\$2.18 / 4.0%
Industry	Staffing Firms
Zacks Industry Rank	Bottom 17% (210 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.4%
Last Sales Surprise	0.1%
EPS F1 Est- 4 week change	-16.7%
Expected Report Date	04/16/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	4,621 E	4,310 E	4,617 E	5,157 E	20,320 E
2020	4,745 E	4,683 E	4,766 E	4,927 E	19,443 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	\$1.96 E	\$1.34 E	\$1.87 E	\$2.19 E	\$7.72 E
2020	\$2.04 E	\$1.16 E	\$1.69 E	\$1.80 E	\$6.36 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.

P/E TTM	7.4
P/E F1	8.7
PEG F1	5.8
P/S TTM	0.2

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/30/2020. The reports text is as of 03/31/2020.

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 –

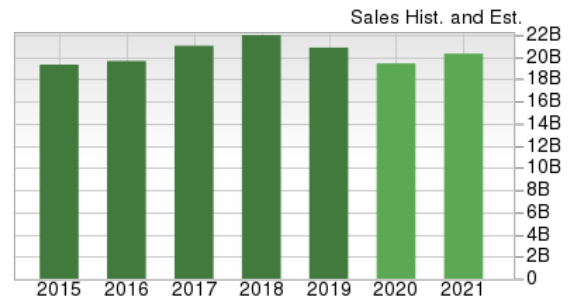
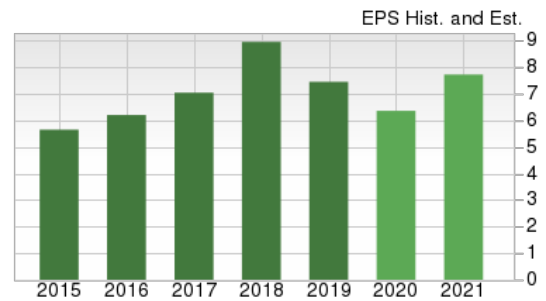
Americas (20% of 2019 revenues): The segment includes United States and Other Americas. The segment had 562 branch and 172 franchise offices. In 2019, nearly 37% of temporary and contract recruitment revenues were earned from placing industrial staff, 23% from placing office staff and 40% from placing 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. Further, the company expects revenues to increase slightly on a constant-currency basis in first-quarter 2020.

ManpowerGroup's top-line is benefiting from acquisitions, strong pricing discipline and cost control.

▲ 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.

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 loss of competitiveness, employment (CICE) subsidy and impact of the strikes in France.
- ▼ 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. This may weigh on its share price, which has declined 34.9% in the past year compared with the industry's loss of 47.7%.

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

Last Earnings Report

ManpowerGroup Beats on Q4 Earnings and Revenues

ManpowerGroup reported better-than-expected fourth-quarter 2019 results.

Quarterly adjusted earnings of \$2.15 per share surpassed the Zacks Consensus Estimate by 5.4% but declined 11.9% year over year. Earnings came above the guided range of \$2-\$2.08 per share.

Revenues of \$5.2 billion marginally beat the consensus mark but declined 3.6% year over year on a reported basis and 2% on a constant-currency basis. Challenging market environment in Europe continues to weigh on the company's top line.

Quarter Ending **12/2019**

Report Date	Jan 31, 2020
Sales Surprise	0.11%
EPS Surprise	5.39%
Quarterly EPS	2.15
Annual EPS (TTM)	7.51

Segmental Revenues

Revenues from **America** totaled \$1.06 billion, up 1.6% year over year on a reported basis and 3.2% on a constant-currency basis. In the United States, revenues came in at \$626.8 million, down 0.9% both on reported and constant-currency basis. In the Other Americas subgroup, revenues of \$434.1 million increased 5.4% on a reported basis and 9.5% on a constant-currency basis. Americas contributed 20% to total revenues.

Revenues from **Southern Europe** were up 1.4% on a reported basis and 3.9% on a constant-currency basis to \$2.33 billion. Revenues from France came in at \$1.36 billion, down 5.2% on a reported basis and 2.3% on a constant-currency basis. Revenues from Italy were \$380 million, down 5.9% on a reported basis and 3% on a constant-currency basis. The Other Southern Europe subsegment generated revenues of \$589.4 million, up 28.2% on a reported basis and 29.3% on a constant-currency basis. Southern Europe contributed 45% to total revenues.

Northern Europe revenues declined 8.7% on a reported basis and 6.4% on a constant-currency basis to \$1.16 billion. The segment accounted for 22% of total revenues in the quarter.

APME revenues totaled \$596.5 million, down 18.5% on a reported basis and 19.4% on a constant-currency basis. The segment contributed 12% to total revenues.

Revenues from the **Right Management** business were up 3.8% year over year on a reported basis and 4.6% on a constant-currency basis to \$52 million. The segment contributed 1% to total revenues.

Operating Performance

Gross profit in the fourth quarter was \$859.6 million, down 2.4% year over year on a reported basis and 0.5% on a constant-currency basis. Gross profit margin came in at 16.5%, up 20 basis points (bps) year over year.

Operating profit of \$191.6 million decreased 12.1% year over year on a reported basis and 10% on a constant-currency basis. Operating profit margin came in at 3.7%, down 30 bps year over year.

Balance Sheet and Cash Flow

ManpowerGroup exited the fourth quarter with cash and cash equivalents balance of \$1.03 billion compared with \$807.1 million in the prior quarter. Long-term debt at the end of the quarter was \$1.01 billion, compared with \$983.2 million in the preceding quarter.

The company generated \$319 million of cash from operating activities and Capex was \$16.7 million in the quarter. ManpowerGroup repurchased \$51 million of common stock and paid out dividends of \$64.1 million in the quarter.

First-Quarter 2020 Outlook

The company expects revenues to be down 2% to flat on a constant-currency basis and anticipates EPS in the range of \$1.33-\$1.41. It anticipates income tax rate in the first quarter to be around 35.5%.

Recent News

On **Mar 18, 2020**, ManpowerGroup announced that it has withdrawn its financial guidance for the first-quarter of 2020 due to coronavirus-led changes in business conditions.

On **Feb 25, 2020**, ManpowerGroup announced that it has been honoured as one of the World's Most Ethical Companies by Ethisphere for the 11th consecutive year.

On **Jan 31, 2020**, ManpowerGroup launched Talent Solutions, aimed at offering innovative solutions and end-to-end, data-driven capabilities across the talent lifecycle. Talent Solutions has been formed through the combination of ManpowerGroup's three current global offerings – RPO (Recruitment Process Outsourcing), TAPFIN MSP (Managed Service Provider) and Right Management.

Valuation

ManpowerGroup shares are down 34.9% over the trailing 12-month period. Stocks in the Zacks sub-industry, Zacks Business Services sector and the S&P 500 index are down 47.7%, 13.6% and 11.8%, respectively in the same time frame.

The stock is currently trading at trailing 12-month EV/EBITDA of 5.05X, which compares to 4.16X for the Zacks sub-industry, 10.02X for the Zacks sector and 9.4X for the S&P 500 index.

Over the past five years, the stock has traded as high as 10.92X and as low as 4.79X, with a 5-year median of 7.79X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$60.00 price target reflects 7.72X 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	5.05	4.16	10.02	9.4
	5-Year High	10.92	9.76	13.36	12.88
	5-Year Low	4.79	3.79	8.52	8.27
	5-Year Median	7.79	7.58	10.4	10.78
P/E F 12M	Current	7.1	8.04	20.07	15.48
	5-Year High	18.63	17.47	25.12	19.34
	5-Year Low	7.1	8.04	18.67	15.18
	5-Year Median	12.75	14.24	20.47	17.42
P/S F12M	Current	0.16	0.24	3.13	2.75
	5-Year High	0.41	0.55	3.94	3.43
	5-Year Low	0.16	0.24	3.05	2.54
	5-Year Median	0.28	0.44	3.57	3

As of 03/30/2020

Industry Analysis Zacks Industry Rank: Bottom 17% (210 out of 254)



Top Peers

Kelly Services, Inc. (KELYA)	Outperform
Heidrick & Struggles International, Inc. (HSII)	Neutral
Robert Half International Inc. (RHI)	Neutral
BG Staffing Inc (BGSF)	Underperform
Kforce, Inc. (KFRC)	Underperform
Korn/Ferry International (KFY)	Underperform
Insperty, Inc. (NSP)	Underperform
TrueBlue, Inc. (TBI)	Underperform

Industry Comparison Industry: Staffing Firms				Industry Peers		
	MAN Neutral	X Industry	S&P 500	KFY Underperform	NSP Underperform	RHI Neutral
VGM Score	A	-	-	B	A	A
Market Cap	3.24 B	443.58 M	18.21 B	1.40 B	1.48 B	4.64 B
# of Analysts	6	2	13	3	4	7
Dividend Yield	3.95%	2.39%	2.3%	1.57%	4.26%	3.37%
Value Score	A	-	-	B	A	B
Cash/Price	0.33	0.08	0.06	0.44	0.30	0.06
EV/EBITDA	4.93	5.75	11.22	7.01	5.75	6.58
PEG Ratio	5.88	1.55	1.74	NA	0.64	2.10
Price/Book (P/B)	1.18	1.27	2.41	1.10	368.31	4.09
Price/Cash Flow (P/CF)	6.18	6.15	9.70	6.13	8.38	8.94
P/E (F1)	8.81	9.53	15.12	9.14	9.56	10.81
Price/Sales (P/S)	0.16	0.29	1.96	0.69	0.34	0.76
Earnings Yield	11.53%	10.46%	6.55%	10.93%	10.46%	9.25%
Debt/Equity	0.49	0.39	0.70	0.46	66.05	0.18
Cash Flow (\$/share)	8.93	2.17	7.01	4.15	4.48	4.51
Growth Score	A	-	-	C	A	A
Hist. EPS Growth (3-5 yrs)	11.66%	10.86%	10.89%	14.40%	43.42%	10.06%
Proj. EPS Growth (F1/F0)	-14.68%	-4.92%	1.80%	-15.91%	-5.36%	-4.43%
Curr. Cash Flow Growth	-21.23%	5.24%	5.93%	15.36%	9.10%	3.72%
Hist. Cash Flow Growth (3-5 yrs)	0.59%	13.89%	8.55%	17.50%	27.33%	8.05%
Current Ratio	1.46	1.73	1.23	2.14	1.12	1.73
Debt/Capital	32.82%	27.99%	42.57%	31.52%	98.51%	15.02%
Net Margin	2.23%	2.61%	11.64%	7.68%	3.50%	7.48%
Return on Equity	16.70%	13.37%	16.74%	14.14%	202.04%	40.92%
Sales/Assets	2.33	2.14	0.54	0.82	3.22	2.68
Proj. Sales Growth (F1/F0)	-6.81%	0.00%	2.08%	2.28%	6.60%	1.09%
Momentum Score	F	-	-	C	B	F
Daily Price Chg	4.11%	1.17%	2.63%	2.79%	-3.15%	3.33%
1 Week Price Chg	-2.54%	3.55%	12.32%	4.87%	25.30%	11.46%
4 Week Price Chg	-27.91%	-23.65%	-18.22%	-28.58%	-45.89%	-21.07%
12 Week Price Chg	-43.01%	-40.14%	-23.36%	-40.14%	-57.24%	-35.82%
52 Week Price Chg	-34.89%	-39.45%	-17.22%	-44.59%	-70.17%	-39.45%
20 Day Average Volume	972,992	197,626	4,211,236	756,872	846,328	1,740,447
(F1) EPS Est 1 week change	-7.94%	0.00%	-0.19%	0.00%	0.00%	-4.54%
(F1) EPS Est 4 week change	-16.69%	-9.48%	-3.07%	-10.89%	0.00%	-9.79%
(F1) EPS Est 12 week change	-16.69%	-13.83%	-4.15%	-12.38%	-16.86%	-9.94%
(Q1) EPS Est Mthly Chg	-15.32%	-4.35%	-2.28%	-45.68%	0.00%	-6.09%

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	A
Growth Score	A
Momentum Score	F
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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