ManpowerGroup
Earnings Call Prepared Remarks Transcript
Q2 2025 CONFERENCE CALL

SLIDE 1 – Jonas Prising

Welcome and thank you for joining us for our second quarter 2025 conference call. Our Chief Financial Officer, Jack McGinnis, is with me today. For your convenience, we have included our prepared remarks within the Investor Relations section of our website at manpowergroup.com. I will start by going through some of the highlights of the quarter, then Jack will go through the second quarter results and guidance for the third quarter of 2025. I will then share some concluding thoughts before we start our Q&A session. Jack will now cover the Safe Harbor language.

SLIDE 2 – Jack McGinnis

Good morning, everyone. This conference call includes forward-looking statements, including statements concerning economic and geopolitical uncertainty, which are subject to known and unknown risks and uncertainties. These statements are based on management's current expectations or beliefs. Actual results might differ materially from those projected in the forward-looking statements. We assume no obligation to update or revise any forward-looking statements.

Slide 2 of our earnings release presentation further identifies forward-looking statements made in this call and factors that may cause our actual results to differ materially and information regarding reconciliation of non-GAAP measures.

SLIDE 3 – Jonas Prising

When we last reported our Q1 results in April, we spoke at a time of heightened uncertainty—particularly surrounding trade negotiations and their potential impact on the global economy. At that point, many organizations were choosing to pause or slow hiring plans as they waited for greater clarity.

Since then, we've seen some of this uncertainty begin to ease. Employers—facing not only macroeconomic complexity but also continued geopolitical tensions—are proving resilient. What might once have been seen as 'Black Swan' moments are now being absorbed with greater pragmatism and pace.

Our most recent ManpowerGroup Employment Outlook Survey of more than 40,000 employers across 42 countries also supports this view. The global hiring outlook is holding steady - up very slightly year-over-year and just one point lower than last quarter.

The picture continues to be mixed globally though, with LatAm and APME labor markets performing well, while we see cooling yet resilient hiring intent in North America. In Europe, employers continue to be more cautious, particularly Northern Europe, reflecting its greater exposure to economic and geopolitical headwinds.

Turning to our results, we are pleased to see encouraging signs of stabilization in the U.S. and parts of Europe, and a return to revenue growth in our Manpower and Talent Solutions brands this quarter. Systemwide revenue, which includes our expanding franchise revenue base, was $4.9 billion. Reported revenue was $4.5 billion, down 3% year over year in constant currency. Our reported EBITA for the quarter was $72 million. Adjusting for restructuring costs, EBITA was $89 million, representing a decrease of 25% in constant currency year-over-year. Reported EBITA margin was 1.6%, and adjusted EBITA margin was 2.0%. Earnings per basic share was a negative $1.44 on a reported basis, while earnings per diluted share was $0.78 on an adjusted basis. Adjusted earnings per share decreased 43% year over year in constant currency.

The diversity of our vertical mix—from Consumer Goods to Technology and Industrials—is proving to be a strength in the current environment. Leveraging our proprietary data, we continuously assess real-time market dynamics to identify and act on growth opportunities. We're seeing solid momentum in Consumer Goods across both the U.S. and Europe, alongside encouraging signals in Aerospace and Defense. At the same time, we are taking swift, targeted actions to protect and optimize performance in sectors experiencing headwinds, such as automotive, ensuring we remain focused on profitable growth and long-term resilience.

We know client demand is reactive to many factors, and we are staying closely connected to our clients, anticipating their evolving needs and ensuring we remain the strategic workforce partner of choice as technology transformation accelerates. We continue to build a strong enterprise sales pipeline, simplify our organization, and manage costs with discipline, while prioritizing growth initiatives that will deliver the greatest value.

I will now turn it over to Jack to take you through the results in more detail.

SLIDE 3 – Jack McGinnis

Thanks, Jonas.

U.S. dollar reported revenues in the second quarter were impacted by foreign currency translation and, after adjusting for currency impacts, came in at the high-end of our constant currency guidance range. Although conditions remain challenging in certain markets, our revenue trends demonstrate we continue to perform well in the market. Our revenues from franchise offices are significant and are included within systemwide revenues which equaled $4.9 billion for the quarter. Gross profit margin came in just below the low-end of our guidance range driven by shifts within staffing, reflecting an increased mix of enterprise accounts. As adjusted, EBITA was $89 million, representing a 25% decrease in constant currency compared to the prior year period. As adjusted, EBITA margin was 2.0% and came in at the high-end of our guidance range, representing 50 basis points of decline year over year.

Foreign currency translation drove a favorable impact to the flat U.S. dollar reported revenue trend from the constant currency decrease of 3.5%. Organic days-adjusted constant currency revenue decreased 1% in the quarter, which was favorable to our midpoint guidance of a decrease of 2%.

SLIDE 4 – Jack McGinnis

Turning to the EPS bridge, reported losses per share was $1.44. Adjusted EPS was $0.78 and came in eight cents above our guidance midpoint. Walking from our guidance mid-point of $0.70, our results included a stronger operational performance of 4 cents, slightly lower weighted average shares due to share repurchases in the quarter which had a positive impact of 1 cent, a foreign currency impact that was 1 cent favorable to our guidance, and interest and other expenses which was 2 cents favorable. Restructuring costs and disposition losses represented 43 cents and non-cash goodwill and intangible impairment charges represented $1.79 bringing reported losses per share to $1.44.

SLIDE 5 – Jack McGinnis

Next, let's review our revenue by business line. Year over year, on an organic constant currency basis, the Manpower brand had growth of 1% in the quarter, the Experis brand declined by 9%, and the Talent Solutions brand had growth of 1%. Within Talent Solutions, our RPO business experienced a slight year-over-year revenue decrease. Our MSP business recorded a strong revenue increase compared to the prior year, while Right Management experienced a year-over-year mid-single digit percentage revenue decline in the quarter as outplacement activity continued to slow.

SLIDE 6 – Jack McGinnis

Looking at our gross profit margin in detail, our gross margin came in at 16.9% for the quarter. Staffing margin contributed a 30 basis point reduction due to mix shifts towards enterprise accounts. Permanent recruitment was relatively stable at lower levels and contributed a 10 basis point reduction. Other items resulted in a 10 basis point margin decrease.

SLIDE 7 – Jack McGinnis

Moving onto our gross profit by business line. During the quarter, the Manpower brand comprised 62% of gross profit, our Experis professional business comprised 22%, and Talent Solutions comprised 16%.

During the quarter, our consolidated gross profit decreased by 5% on an organic constant currency basis year over year, representing a slight improvement from the 6% decline in the first quarter.

Our **Manpower** brand reported flat organic constant currency gross profit year over year, an improvement from the 2% decrease in the first quarter.

Gross profit in our **Experis** brand decreased 14% in organic constant currency year over year, a step down from the 11% decrease in the first quarter driven by the nonrecurrence of Healthcare technology projects.

Gross profit in **Talent Solutions** was flat in organic constant currency year over year, representing an improvement from the first quarter decrease of 5%. MSP and RPO experienced similar activity levels from the first quarter while Right Management gross profit increased slightly.

SLIDE 8 – Jack McGinnis

Reported SG&A expense in the quarter was $789 million. SG&A, as adjusted, was down 3% year over year on a constant currency basis and down 2% on an organic constant currency basis. The year-over-year SG&A decreases largely consisted of reductions in operational costs of $10 million. Corporate costs continue to include our back-office transformation spend and these programs are progressing well with expected medium and long-term efficiencies. Dispositions represented a decrease of $8 million while currency changes contributed to a $19 million increase. Adjusted SG&A expenses as a percentage of revenue represented 15.2% in constant currency in the second quarter. Adjustments represented restructuring and disposition losses of $17 million. The goodwill and intangible impairment relates to Switzerland and the UK which experienced further market declines in recent quarters. Balancing gross profit trends with strong cost actions to enhance EBITA margin is one of our highest priorities and we continue to analyze all aspects of our cost base for additional ongoing efficiency improvements.

SLIDE 9 – Jack McGinnis

The **Americas** segment comprised 23% of consolidated revenue. Revenue in the quarter was $1.1 billion, representing an increase of 2% year-over-year on a constant currency basis. OUP was $36 million and OUP margin was 3.4%.

SLIDE 10 – Jack McGinnis

The **U.S.** is the largest country in the Americas segment, comprising 64% of segment revenues. Revenue in the U.S. was $674 million during the quarter, representing a 3% days-adjusted decrease compared to the prior year. This represents a decline from the 2% increase in the first quarter as I will explain in the brand commentary.

OUP for our U.S. business was $20 million in the quarter. OUP margin was 2.9%.

Within the **U.S.,** the Manpower brand comprised 26% of gross profit during the quarter. Revenue for the Manpower brand in the U.S. increased 9% on a days-adjusted basis during the quarter, which represented strong market performance and an improvement from the 7% increase in the first quarter.

The Experis brand in the U.S. comprised 41% of gross profit in the quarter. Within Experis in the U.S., IT skills comprised approximately 90% of revenues. Experis U.S. revenue decreased 14%, as expected, on a days-adjusted basis during the quarter, down from the 2% decline in the first quarter based on the nonrecurrence of Healthcare technology projects. As the Healthcare technology projects significantly impacted the U.S. Experis Q1 and Q2 trend, the six-month trend of a decrease of 8% is more indicative of the underlying business activity.

Talent Solutions in the U.S. contributed 33% of gross profit and saw a revenue increase of 13% in the quarter, an improvement from the 3% increase in the first quarter driven by RPO and Right Management. RPO experienced solid revenue growth in the U.S. during the quarter. Both the U.S. MSP and Right Management businesses executed well during the quarter posting strong double-digit revenue increases year over year.

In the third quarter of 2025, we expect the overall U.S. business to have a slightly improved low single digit percentage revenue decline compared to the second quarter.

SLIDE 11 – Jack McGinnis

Southern Europe revenue comprised 47% of consolidated revenue in the quarter. Revenue in Southern Europe was $2.1 billion, representing a 2% decrease in organic constant currency. As adjusted, OUP for our Southern Europe business was $75 million in the quarter and OUP margin was 3.5%. Restructuring charges of $2 million represented actions in France.

SLIDE 12 – Jack McGinnis

France revenue comprised 53% of the Southern Europe segment in the quarter and decreased 6% on a days-adjusted constant currency basis. As adjusted, OUP for our France business was $34 million in the quarter. Adjusted OUP margin was 3.0%.

France revenue trends came in slightly better than expected during the second quarter and we expect stable activity trends into the third quarter representing a slightly improved rate of revenue decline.

Revenue in **Italy** equaled $476 million in the second quarter reflecting an increase of 4% on a days-adjusted constant currency basis. OUP equaled $32 million and OUP margin was 6.7%. Our Italy business is performing well and we estimate a similar to slightly improved constant currency revenue growth trend in the third quarter compared to the second quarter.

SLIDE 13 – Jack McGinnis

Our **Northern Europe** segment comprised 18% of consolidated revenue in the quarter. Revenue of $794 million represented a 10% decline in constant currency. As adjusted, OUP equaled a $6 million loss. The restructuring charges of $12 million represented actions in the Nordics, the Netherlands, and Germany.

SLIDE 14 – Jack McGinnis

Our largest market in the Northern Europe segment is the **U.K.**, which represented 33% of segment revenues in the quarter. During the quarter, U.K. revenues decreased 13% on a days-adjusted constant currency basis. The UK market continues to be challenging, and we expect the rate of revenue decline to improve into the third quarter compared to the second quarter.

In **Germany,** revenues decreased 22% on a days-adjusted constant currency basis in the quarter. Germany automotive manufacturing trends continue to be weak. In the third quarter, we are expecting a slightly improved year-over-year revenue decline compared to the second quarter trend.

The **Nordics** continue to experience difficult market conditions with revenues decreasing 9% in days-adjusted constant currency in the quarter.

SLIDE 15 – Jack McGinnis

The **Asia Pacific Middle East** segment comprises 12% of total company revenue. In the quarter, revenues equaled $525 million representing an increase of 8% in organic constant currency. Adjusted OUP was $27 million and adjusted OUP margin was 5.1%.

SLIDE 16 – Jack McGinnis

Our largest market in the APME segment is **Japan**, which represented 61% of segment revenues in the quarter. Revenue in **Japan** grew 7% on a days-adjusted constant currency basis. We remain very pleased with the consistent performance of our Japan business, and we expect continued strong revenue growth in the third quarter.

SLIDE 17 – Jack McGinnis

I'll now turn to cash flow and balance sheet. In the second quarter, free cash flow represented an outflow of $207 million compared to an outflow of $150 million in the prior year. As in the prior year, timing of payables impacted the level of outflow in the second quarter. Outflows of free cash flow in the first half of the year are typically followed by strong free cash flow in the second half. Free cash flow in first half of 2025 included outflows for a large tax transition payment, technology prepayments and the impacts of timing of MSP program payments which typically are not large factors in the second half of the year.

At quarter end, days sales outstanding increased by about a day to 56 days. During the second quarter, capital expenditures represented $18 million. During the second quarter we repurchased 230,000 shares of stock for $12 million. As of June 30th, we have 2.0 million shares remaining for repurchase under the share program approved in August of 2023.

SLIDE 18 – Jack McGinnis

Our balance sheet ended the quarter with cash of $290 million and total debt of $1.29 billion. Net debt equaled $996 million at quarter-end. Our net debt levels peak at June 30th and historically improve in the second half of the year. Our debt ratios at quarter-end reflect total gross debt to trailing twelve months Adjusted EBITDA of 3.2 and total debt to total capitalization at 39%. Our Debt and credit facilities arrangements and related updates are included in the appendix of the presentation.

SLIDE 19 – Jack McGinnis

Next, I'll review our outlook for the third quarter of 2025. Based on trends in the second quarter and July activity to date, our forecast anticipates ongoing stability in the majority of our markets and a continuation of existing trends.

With that said, we are forecasting earnings per share for the third quarter to be in the range of $0.77 to $0.87. The guidance range also includes a favorable foreign currency impact of 3 cents per share and our foreign currency translation rate estimates are disclosed at the bottom of the guidance slide.

Our constant currency revenue guidance range is between a flat and 4% decrease and at the midpoint is a 2% decrease. Considering the impact of a slight increase in business days and dispositions, our organic days-adjusted constant currency revenue increase represents a flat revenue trend at the midpoint.

EBITA margin for the third quarter is projected to be down 50 basis points at the midpoint compared to the prior year.

We estimate that the effective tax rate for the full year on an adjusted basis to continue to be 46.5% and third quarter will be slightly higher at 48.0%. This incorporates the previously disclosed French tax change for the one year period of 2025.

In addition, as usual, our guidance does not incorporate restructuring charges or additional share repurchases and we estimate our weighted average shares to be 47.0 million. I will now turn it back to Jonas.

SLIDE 20 – Jonas Prising

Thank you, Jack.

We know from our clients that companies are navigating the here-and-now, while also investing in the mid to long term. Gen AI continues to emerge as a powerful catalyst - with an eye on productivity gains as well as the opportunity to unleash human potential, allowing people to focus on more value-added tasks. At this stage, most organizations are focused on driving adoption and exploring possibilities, and outside of some specific areas, we are not seeing any structural impact to labor markets at this time – yet the lag from exploration to impact has the potential to be shorter than any tech advancement in history.

Our research underscores this stage of development too: 58% of employers are now investing in AI—but only 26% believe their workforce is ready to use it. This proprietary data is sourced from our Work Intelligence Lab launched in May, an innovative new platform that brings together our real-time labor market insights and predictive research to deliver deep, workforce intelligence enabling our advisory and consulting services for our clients across sectors. We showcased this data and our ‘Humans First, Digital Always’ perspective At VivaTech, the world’s leading tech conference held in Paris in June, where we joined tech leaders and policy makers alongside more than 200 clients and prospects. It is clear that the AI readiness gap represents a significant opportunity for us, supporting companies to find new talent and augmenting their skills to be AI ready.

We continue to execute our Diversification, Digitization, and Innovation strategy at pace. At the core of this is accelerating the adoption of new technologies to better support the evolving needs of both our clients and candidates, all positioning us to drive greater productivity and unlock more profitable, sustainable growth in the quarters ahead. For over five years, we have been investing in and building our digital core, PowerSuite. PowerSuite is our foundational tech stack that we believe is unrivaled on a global scale in the industry and has enabled the pace of our digital transformation and the rapid development and deployment of our AI capability.

As an example, the strength of PowerSuite is enabling the buildout of Sophie AI™, our enterprise-wide AI platform, where our AI solutions are being developed, refined and incorporated into our operational workflows to further enhance our capabilities. 'Sophie™' is already being deployed by our Talent Solutions brand and we are moving quickly to scale so we can continue to take AI infused products, solutions and insights into the market across our strong and distinct brands, supporting our clients wherever they are in their transformation journey.

Our commitment to transformation extends beyond technology. It is embedded in how we operate as a responsible, sustainable business—and it's being recognized. In the second quarter, we were proud to receive multiple global accolades: We received Forbes America's number 1 rating as the Best Temp Staffing Firm, Talent Solutions was again recognized by Everest Group as a Global Leader in RPO and were also named to TIME's World's Most Sustainable Companies for the 15th consecutive year.

Congratulations and thank you to all our teams for these honors which are evidence of the trust placed in us by our clients, candidates, and stakeholders around the world.

Operator, please open the line for our Q&A.