ManpowerGroup
Earnings Call Prepared Remarks Transcript
Q1 2025 CONFERENCE CALL

SLIDE 1 – Jonas Prising

Welcome and thank you for joining us for our first 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 first quarter results and guidance for the second 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

Thank you, Jack.

This quarter, I have spent time with many of our clients and leadership teams across our key markets in Europe, LATAM and APME – as well as

here in North America. Broadly, the consensus is the quarter has been of two halves – we began the year with a sense of optimism for economic growth, in the U.S. particularly, and a greater acknowledgement among EU policy makers that Europe needed to do more to remain competitive.

The last several weeks have impacted this sense of confidence, and the mood is significantly more uncertain and cautious as a result of recent trade policy announcements in the U.S. - with ripple effects far beyond. At this stage, most of our clients are adopting a “wait and see approach” and it is difficult to provide any concrete assessment of how significantly this might affect demand from our customers in our major markets around the world. As always, we are staying very close to our clients during this time and taking an industry and country specific view, as announced tariffs impact in different ways. We remain agile and are monitoring demand changes closely.

At the same time, the benefits of a flexible workforce are highly visible during periods of increased uncertainty, and we know that those closest to their clients will win opportunities to deliver both flexible workforce solutions in a time of need.

Our message to our organization and leadership teams in our 75+ countries and territories around the world is clear – control what you can control, stay close to our clients and candidates, and build agility so we can act quickly to anticipate and respond to evolving client needs. There remain plenty of opportunities to win in the market and provide value to those we serve, and we are determined to be the partner of choice during unsettled times.

Now, to our results. In the first quarter revenue was $4.1 billion, down 5% year over year in constant currency. Our reported EBITA for the quarter was $36 million. Adjusting for restructuring costs, EBITA was $52 million, representing a decrease of 32% in constant currency year over year. Reported EBITA margin was 0.9%, and adjusted EBITA margin was 1.3%. Earnings per diluted share was $0.12 on a reported basis, while earnings per diluted share was $0.44 on an adjusted basis. Adjusted earnings per share decreased 51% year over year in constant currency.

In the first quarter, we saw the continuation of a challenging environment in Europe and North America, while demand for our services in

LATAM and APME remained good. Staffing margin was solid reflecting business mix changes and ongoing disciplined pricing. However, permanent recruitment softened further and we saw reduced outplacement volumes which impacted our margins. We took further cost actions to mitigate these trends and we will continue to adjust as needed as the environment evolves.

Though we have seen a period of volatility relating to the tariff announcements and uncertainty is elevated right now, underlying economic indicators including labor markets continue to be relatively stable. Based on what we see today - we expect employers to continue to cautiously look at hiring select talent, particularly those with in-demand skills that will enable their businesses to transform. Indeed, as AI accelerates, we expect to see a greater focus on skills development as organizations seek to guide their workforce through a period of transition and prepare them to work alongside AI. This is supported by our most recent Experis CIO report which found that more than half of the companies are planning on upskilling existing talent with AI skills and 1 in 3 are hiring people with the ability to collaborate across functions to solve business challenges.

SLIDE 3 – Jack McGinnis

Thanks, Jonas.

U.S. dollar reported revenues in the first quarter were impacted by foreign currency translation and, after adjusting for currency impacts, came in above the high-end of our constant currency guidance range. Although conditions remain challenging, our revenue trends demonstrate we continue to perform well in the market. Following various recent sale and franchise arrangements, our revenues from franchise offices are significant and are included within system wide revenues which equaled $4.5 billion for the quarter. Additional information on franchise offices can be found in our press release financials. Gross profit margin came in just below the low-end of our guidance range driven by weaker permanent recruitment. As adjusted, EBITA was $52 million, representing a 32% decrease in constant currency compared to the prior year period. As adjusted, EBITA margin was 1.3% and came in just below the low-end of our guidance range, representing 50 basis points of decline year over year.

Foreign currency translation drove a 2.5% unfavorable impact to the U.S. dollar reported revenue trend from the constant currency decrease of 4.5%. Organic days-adjusted constant currency revenue decreased 1% in the quarter, which was favorable to our guidance.

SLIDE 4 – Jack McGinnis

Turning to the EPS bridge, reported net earnings per share was $0.12. Adjusted EPS was $0.44 and came in three cents below our guidance range. Walking from our guidance mid-point of $0.52, our results included a lower operational performance of 9 cents, a foreign currency impact that was 4 cents favorable to our guide, and interest and other expenses which was 3 cents unfavorable. Higher tax charges from a France law change imposed for a one-year period for 2025 and updated country earnings mix for the current environment represented 6 cents and restructuring costs represented 26 cents resulting in the reported EPS of $0.12.

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 declined 2% in the quarter, the Experis brand declined by 5%, and the Talent Solutions brand declined by 2%. Within Talent Solutions, our RPO business experienced a slight year-over-year revenue decrease. Our MSP business recorded a strong double-digit revenue increase compared to the prior year, while Right Management experienced a year-over-year 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 17.1% for the quarter. Staffing margin contributed a 10 basis point reduction due to mix shifts and lower bench utilization in select countries while pricing remained stable. Permanent recruitment was weaker than expected and contributed a 10 basis point GP margin reduction as permanent hiring activity in the first quarter decreased year over year. Right Management career transition within Talent Solutions contributed a 10 basis

point reduction as outplacement activity decreased in the quarter. 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 59% of gross profit, our Experis professional business comprised 24%, and Talent Solutions comprised 17%.

During the quarter, our consolidated gross profit decreased by 6% on an organic constant currency basis year over year, representing a sequential step down from the 4% decline in the fourth quarter.

Our **Manpower** brand reported an organic gross profit decrease of 2% in constant currency year over year, a slight improvement from the 3% decrease in the fourth quarter.

Gross profit in our **Experis** brand decreased 11% in organic constant currency year over year, flat from the 11% decrease in the fourth quarter.

Gross profit in **Talent Solutions** decreased 5% in organic constant currency year over year, representing a step down from the fourth quarter increase of 7%. MSP saw continued year over year gross profit growth in the first quarter, while RPO and Right Management gross profit declined due to the end of select client projects and lower outplacement volumes.

SLIDE 8 – Jack McGinnis

Reported SG&A expense in the quarter was $670 million. SG&A, as adjusted, was down 4% year over year on a constant currency basis and down 3% on an organic constant currency basis. The year-over-year SG&A decreases largely consisted of reductions in operational costs of $18 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 and currency changes contributed to a $15 million decrease. Adjusted SG&A expenses as a percentage of revenue represented 15.9% in constant

currency in the first quarter. Adjustments represented restructuring costs of $16 million.

SLIDE 9 – Jack McGinnis

The **Americas** segment comprised 25% of consolidated revenue. Revenue in the quarter was $1.1 billion, representing an increase of 5% year over year on a constant currency basis. OUP was $25 million and OUP margin was 2.4%.

SLIDE 10 – Jack McGinnis

The **U.S.** is the largest country in the Americas segment, comprising 65% of segment revenues. Revenue in the U.S. was $689 million during the quarter, representing a 2% days-adjusted increase compared to the prior year. This represents an improvement from the 1% decline in the fourth quarter as Manpower and Talent Solutions had revenue growth while the rate of decline improved in Experis.

OUP for our U.S. business was $11 million in the quarter. OUP margin was 1.6%.

Within the **U.S.,** the Manpower brand comprised 25% of gross profit during the quarter. Revenue for the Manpower brand in the U.S. increased 7% on a days-adjusted basis during the quarter, which represented strong market performance and an improvement from the 2% increase in the fourth quarter.

The Experis brand in the U.S. comprised 42% of gross profit in the quarter. Within Experis in the U.S., IT skills comprised approximately 90% of revenues. Experis U.S. revenue decreased 2% on a days-adjusted basis during the quarter, an improvement from the 6% decline in the fourth quarter. The improvement in the first quarter was driven by seasonal Healthcare IT go-live projects and the remaining business was relatively stable from the previous quarter.

Talent Solutions in the U.S. contributed 33% of gross profit and saw a revenue increase of 3% in the quarter, a decrease from the 16% increase in the fourth quarter driven by RPO and Right Management. RPO experienced

a modest revenue increase in the U.S. during the quarter following the completion of higher volume seasonal projects in the previous quarter. The U.S. MSP business executed well during the quarter posting strong double-digit revenue increases, while outplacement activity within our Right Management business was down year over year as outplacement activity slowed.

In the second quarter of 2025, we do not anticipate the seasonal Experis Healthcare IT projects to be significant and we expect the overall U.S. business to have a low single digit percentage year over year revenue decline.

SLIDE 11 – Jack McGinnis

Southern Europe revenue comprised 45% of consolidated revenue in the quarter. Revenue in Southern Europe was $1.8 billion, representing a 5% decrease in constant currency. As adjusted, OUP for our Southern Europe business was $54 million in the quarter and OUP margin was 2.9%. Restructuring charges of $3 million primarily represented actions in Spain and Portugal.

SLIDE 12 – Jack McGinnis

France revenue comprised 53% of the Southern Europe segment in the quarter and decreased 8% on a days-adjusted constant currency basis. France has historically managed our Morrocco business as a small component of their overall business. In line with regional management changes, beginning with this 2025 reporting cycle we have reclassified Morrocco to Other Southern Europe and have restated prior periods to reflect like for like year-over-year variances. That said, we saw an improvement in the rate of revenue decline in France from January to March. In March, the largest month, revenue decreased 7.5%. As adjusted, OUP for our France business was $21 million in the quarter. Adjusted OUP margin was 2.2%.

Activity to date in April is similar to the month of March, and we are estimating the second quarter trend to be similar to the month of March trend.

Revenue in **Italy** equaled $398 million in the first quarter reflecting an increase of 5% on a days-adjusted constant currency basis. OUP equaled $25 million and OUP margin was 6.2%. We estimate that Italy will have a similar constant currency revenue trend in the second quarter compared to the first quarter.

SLIDE 13 – Jack McGinnis

Our **Northern Europe** segment comprised 18% of consolidated revenue in the quarter. Revenue of $731 million represented a 14% decline in constant currency. As adjusted, OUP equaled a $6 million loss. The majority of the restructuring charges of $12 million was recorded in the Nordics, Belgium, and the U.K.

SLIDE 14 – Jack McGinnis

Our largest market in the Northern Europe segment is the **U.K.**, which represented 35% of segment revenues in the quarter. During the quarter, U.K. revenues decreased 16% on a days-adjusted constant currency basis. The U.K. market continues to be very challenging, and we expect the rate of revenue decline to be similar in the second quarter compared to the first quarter.

In **Germany,** revenues decreased 26% on a days-adjusted constant currency basis in the quarter. Germany manufacturing trends have been weak driving further declines. In the second quarter, we are expecting a similar to slightly improved year-over-year revenue decline compared with the first quarter trend.

The **Nordics** continue to experience very difficult market conditions with revenues decreasing 16% in days-adjusted constant currency in the quarter. Within the Nordics, Sweden is experiencing the largest declines based on a weak manufacturing environment and the adjustment to new temporary work term limits discussed in previous quarters.

SLIDE 15 – Jack McGinnis

The **Asia Pacific Middle East** segment comprises 12% of total company revenue. In the quarter, revenues equaled $476 million

representing an increase of 7% in organic constant currency. OUP was $20 million and OUP margin was 4.2%.

SLIDE 16 – Jack McGinnis

Our largest market in the APME segment is **Japan**, which represented 60% of segment revenues in the quarter. Revenue in **Japan** grew 9% 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 second quarter.

SLIDE 17 – Jack McGinnis

I'll now turn to cash flow and balance sheet. In the first quarter, free cash flow represented an outflow of $167 million compared to an inflow of $104 million in the prior year. Timing of payables impacted the level of outflow in the first quarter. Outflow of free cash flow in the first half of the year typically follows strong free cash flow in the second half.

At quarter end, days sales outstanding decreased by about half a day to 54 days. During the first quarter, capital expenditures represented $14 million. During the first quarter we repurchased 433,000 shares of stock for $25 million. As of March 31st, we have 2.2 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 $395 million and total debt of $1.07 billion. Net debt equaled $677 million at quarter-end. Our debt ratios at year-end reflect total gross debt to trailing twelve months Adjusted EBITDA of 2.5 and total debt to total capitalization at 34%. Our debt and credit facility arrangements are displayed in the appendix of the presentation.

SLIDE 19 – Jack McGinnis

Next, I'll review our outlook for the second quarter of 2025. Based on trends in the first quarter and April activity to date, our forecast is cautious

and anticipates that the second quarter will continue to be challenging in Europe and North America. It is important to note that our forecast reflects demand trends we are currently experiencing. If tariff policy related matters have an additional significant dampening effect on demand for our services globally, this is not included in our guidance.

With that said, we are forecasting earnings per share for the second quarter to be in the range of $0.65 to $0.75. As I mentioned earlier, the increased French income tax for the one-year period of 2025 and the updated country mix effects have increased our global effective tax rate which will have the impact of decreasing our second quarter EPS estimate by 14 cents from our beginning of the year tax rate guidance. 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 decrease of 3% and 7% and at the midpoint is a 5% decrease. Considering the impact of our dispositions and a slightly lower number of working days, our organic days-adjusted constant currency revenue decrease represents 2% at the midpoint.

EBITA margin for the second quarter is projected to be down 60 basis points at the midpoint compared to the prior year.

We estimate that the effective tax rate for the second quarter will be 46.5% which represents the previously mentioned French tax charge for the one year period of 2025 and the overall mix effect of lower earnings from lower tax geographies in the current environment including the impact of valuation allowances in certain markets which will reverse in the future when those markets rebound.

In addition, as usual, our guidance does not incorporate restructuring charges or additional share repurchases and we estimate our weighted average shares to be 47.3 million. I will now turn it back to Jonas.

SLIDE 20 – Jonas Prising

Thank you, Jack.

We are confident in our strategic plan to Diversify, Digitize and Innovate. In our next call we will share more detail on the progress of our Technology roadmap and how we are implementing AI and Agentic AI. We are preparing to showcase this at VivaTech in Paris in May, one of the world's largest tech conferences. We'll be sharing how we are partnering with best-in-class platforms to build tailored solutions with candidate experience and data privacy front and center. We know our approach to buy best in-class and build to differentiate will stand us apart and we are focused on ensuring we have a strong foundation of data and aligned global systems that enable us to scale, drive efficiencies and create even more value for our clients and candidates.

Executing our Diversification, Digitization and Innovation strategy at speed and scale requires process convergence across our global enterprise and continued discipline to manage costs at the center, for the benefit of our brands and countries – where business is done. In our last call we shared that we had evolved our organizational structures to align our global brands – Manpower, Experis and Talent Solutions – within the strengthened global Commercial function to drive profitable revenue growth. In Q1 we continued this progress, expanding alignment of our global functions, advancing the centralization and standardization of finance, technology, marketing, people & culture and legal across countries and regions. This is already enabling us to better leverage subject matter expertise for greater global consistency and efficiency.

Because we help our clients build workforces with the best specialist talent – we need to attract and retain the best people. And to that end, we are delighted to have been named a World's Most Ethical company for the 16th time. We know this accolade matters to our people and to our clients. It is one of the reasons talent and organizations choose ManpowerGroup and its family of brands – Manpower, Experis and Talent Solutions.

In closing – we have been through uncertain times before and are confident in our ability to manage the business for short-term performance and long-term success. We are committed to being nimble and taking actions as needed, adjusting our cost base and adding resources to respond to demand opportunities. We continue to transform our business at pace, investing in technology, process and talent across our brands to

serve our clients' needs globally, all while maintaining a strong local presence in every market we serve.

Finally, I want to thank our dedicated teams around the world for supporting our clients who place their trust in us, and for guiding millions of people eager to contribute their skills and talent to make organizations successful.

I would now like to open the line to Q&A, operator?