ManpowerGroup
Earnings Call Prepared Remarks Transcript
Q4 2024 CONFERENCE CALL

SLIDE 1 – Jonas Prising

Welcome and thank you for joining us for our fourth quarter 2024 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 and the full year, then Jack will go through the fourth quarter results and guidance for the first 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

Thanks, Jack.

Last week I attended the World Economic Forum Annual Meeting in Davos, Switzerland. This gathering of business and government leaders

from various countries offered an opportunity to connect with CEO's, policy-makers and thought leaders involved in areas relevant to our business. My main insights from this year's meeting focused on two themes: the global economic outlook across regions and harnessing the potential of AI.

The unpredictable economic and geopolitical global outlook was a key theme. The sentiment amongst business participants with regards to the US economic outlook appears to have improved, especially among US organizations. In contrast, concerns over European economic growth were evident, with leaders noting the continued weakness within the EU and in Northern Europe specifically, and the urgent imperative of getting back to economic growth that keeps pace, or reduces the gap, with the US and China. Since we have seen this gap reflected in our own business and the staffing industry more broadly, I am encouraged that addressing the competitiveness of Europe has become an important priority for policy makers in that region. An action plan for growth was presented and we are pleased by this urgency and alignment, along with the helpful backdrop of lower inflation and interest rates trending in the right direction in Europe.

The other main theme was the continued optimism and belief that the broad adoption of AI can generate significant growth opportunities for companies and nations. While last year's focus was on adopting Gen AI across enterprises, this year discussions centered optimistically on how to translate adoption to business impact and productivity gains. We see a clear tension between employers and employees in this regard, with approximately half of business leaders believing AI will translate to business growth this year and 50% of workers are fearful of the impact of AI on their roles. Ensuring people have the skills to maximize tech investments and leaders bring their workforce along during the transition is critical to realize the potential of AI. This continues to be an area of significant promise for our own productivity enhancement and revenue growth. Our Experis Tech Talent Outlook found 58% of employers believe AI will be a job creator and many of them are training their current workforce to address tech staffing challenges. We aim to exploit this opportunity by providing re-skilling and upskilling solutions to our clients and candidates as they strive to fill roles requiring different and increasingly specialist skills.

Turning to the current environment, our most recent ManpowerGroup Employment Outlook survey of 40,000 employers supports the need for specialized skills - employers report cautious yet steady hiring intentions for

the three months ahead – with many prioritizing retention and attraction of workers with an adaptable mindset to adjust to the evolving requirements. Tech & data skills remain in high demand across industries, and we see growing focus on the soft skills that enable businesses to unlock growth. Consistent hiring intentions, particularly among larger organizations, points to stability – and we hope to see this trend continue throughout 2025.

Based on our 75-year history, we are experienced at navigating various economic cycles, and in periods like this we are constantly positioning the business to be able to manage our productivity and accelerate into recovery. Though we are seeing our industry affected in some new ways compared to previous downturns – particularly labor hoarding post pandemic, coupled with a prolonged hesitancy from employers due to the uncertain economic and geopolitical landscape – we remain convinced that traditional industry dynamics will play out over time in both North America and Europe. To that point, although still in the early stages, we are seeing some encouraging performance in parts of our business. Specifically, our U.S. Manpower brand, which is typically on the leading edge of recovery, has crossed over to growth in the second half of 2024, and similarly, our Talent Solutions business globally has also crossed over to growth in the same time period. Sustaining these trends will be an important next step and we will be monitoring the evolution closely as we move forward into 2025.

Now to our results. In the fourth quarter revenue was $4.4 billion, down 3% year over year in constant currency. Our reported EBITA for the quarter was $76 million. Adjusting for restructuring costs and other special items which we will cover in the financial review, EBITA was $94 million, representing a decrease of 12% in constant currency year over year. Reported EBITA margin was 1.7%, and adjusted EBITA margin was 2.1%. Earnings per diluted share was $0.47 on a reported basis, while earnings per diluted share was $1.02 on an adjusted basis. Adjusted earnings per share decreased 27% year over year in constant currency.

In the fourth quarter, staffing gross profit margins remained solid in a challenging environment. From a geographic perspective – we saw the continuation of a challenging environment in Europe and North America during the quarter, while demand for our services in LATAM and APME remained good.

SLIDE 4 – Jonas Prising

Turning to the full year results for a few moments, reported earnings per share for the year was $3.01. As adjusted, earnings per share was $4.55 and represented a constant currency decrease of 21%. Revenues for the year decreased 3% in constant currency to $17.9 billion, and reported EBITA was $339 million. As adjusted, EBITA was $403 million, which represented a 15% constant currency decrease year over year.

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

SLIDE 3 – Jack McGinnis

Thanks, Jonas.

Going back to the quarterly results on slide 3, revenues in the fourth quarter were significantly impacted by the strengthened U.S. dollar and, after adjusting for currency impacts, came in slightly above the mid-point of our constant currency guidance range. Gross profit margin came in at the low-end of our guidance range. As adjusted, EBITA was $94 million, representing a 12% decrease in constant currency compared to the prior year period. As adjusted, EBITA margin was 2.1% and came in at the low-end of our guidance range, representing 40 basis points of decline year over year.

Foreign currency translation drove a two percent unfavorable impact to the U.S. dollar reported revenue trend in addition to the constant currency decrease of 3%. Organic days-adjusted constant currency revenue decreased 2.5% in the quarter, which was favorable to our guidance of a 4% decrease on this same basis.

SLIDE 5 – Jack McGinnis

Turning to the EPS bridge, reported net earnings per share was $0.47. Adjusted EPS was $1.02 and came in very close to the midpoint of our guidance range. Walking from our guidance mid-point of $1.03, our results included a slightly lower operational performance of 1 cent, a lower weighted average share count due to share repurchases in the quarter which had a positive impact of 1 cent, a slightly lower tax rate which had a positive 2 cent impact, and a foreign currency impact that was 3 cents worse than our

guidance. Restructuring costs and other items represented 55 cents resulting in the reported EPS of $0.47.

SLIDE 6 – Jack McGinnis

Next, let's review our revenue by business line. Year over year, on an organic constant currency basis, the Manpower brand declined 1% in the quarter, the Experis brand declined by 6%, and the Talent Solutions brand had a revenue increase of 6%. Within Talent Solutions, our RPO business experienced a year-over-year revenue increase which was an improvement from the trend in the third quarter. Our MSP business recorded a strong double-digit revenue increased compared to the prior year, while Right Management experienced a year-over-year revenue decline in the quarter as outplacement activity began to slow.

SLIDE 7 – Jack McGinnis

Looking at our gross profit margin in detail, our gross margin came in at 17.2% for the quarter. Staffing margin contributed a 30 basis point reduction due to mix shifts, lower bench utilization in December in select countries and lower volumes while pricing remained stable. Experis Services contributed a 10 basis point reduction due to lower volumes. Other items resulted in a 10 basis point margin increase.

SLIDE 8 – 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 23%, and Talent Solutions comprised 18%.

During the quarter, our consolidated gross profit decreased by 4% on an organic constant currency basis year over year, representing a stable trend from the 4% decline in the third quarter.

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

Gross profit in our **Experis** brand decreased 11% in organic constant currency year over year, a slight improvement from the 12% decrease in the third quarter.

Gross profit in **Talent Solutions** increased 7% in organic constant currency year over year, representing ongoing growth although at a slightly lower pace from the third quarter increase of 9%. RPO and MSP saw improved year over year gross profit growth in the fourth quarter compared to the previous quarter, while Right Management gross profit declined slightly.

SLIDE 9 – Jack McGinnis

Reported SG&A expense in the quarter was $687 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 $20 million. Underlying corporate costs continue to include our back-office transformation spend and these programs are progressing well with expected medium and long-term efficiencies. Currency changes also contributed to a $7 million decrease. Adjusted SG&A expenses as a percentage of revenue represented 15.0% in constant currency in the fourth quarter. Adjustments represented restructuring costs of $16 million and a loss on sale related to our Austria business recorded in SG&A of $2 million.

SLIDE 10 – Jack McGinnis

The **Americas** segment comprised 24% of consolidated revenue. Revenue in the quarter was $1.1 billion, representing an increase of 7% compared to the prior year period on a constant currency basis. As adjusted, OUP was $39 million and OUP margin was 3.6%. Restructuring charges of $4 million largely represented the U.S. and Canada.

SLIDE 11 – Jack McGinnis

The **U.S.** is the largest country in the Americas segment, comprising 65% of segment revenues. Revenue in the U.S. was $692 million during the quarter, representing a 1% days-adjusted decrease compared to the prior year. This represents an improvement from the 4% decline in the third

quarter as Manpower and Talent Solutions growth partially offset a decline in Experis.

As adjusted, OUP for our U.S. business was $19 million in the quarter. As adjusted, OUP margin was 2.8%.

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 2% on a days-adjusted basis during the quarter, which was an improvement from the 1% increase in the third quarter.

The Experis brand in the U.S. comprised 39% of gross profit in the quarter. Within Experis in the U.S., IT skills comprised approximately 90% of revenues. Experis U.S. revenue decreased 6% on a days-adjusted basis during the quarter, an improvement from the 11% decline in the third quarter.

Talent Solutions in the U.S. contributed 35% of gross profit and saw a revenue increase of 16% in the quarter, an improvement from the 10% increase in the third quarter. RPO experienced double digit revenue increases in the U.S. reflecting increased activity in select client programs. The U.S. MSP business executed well during the quarter posting strong double-digit revenue increases as well, while outplacement activity within our Right Management business was down slightly year over year as outplacement activity slowed.

In the first quarter of 2025, we expect the rate of revenue decline to range from similar to a slight further decline than the fourth quarter trend for our overall U.S. business.

SLIDE 12 – Jack McGinnis

Southern Europe revenue comprised 47% of consolidated revenue in the quarter. Revenue in Southern Europe was $2.0 billion, representing a 3% decrease in constant currency. As adjusted, OUP for our Southern Europe business was $73 million in the quarter and OUP margin was 3.6%. Restructuring charges of $2 million primarily represented actions in Spain and Italy.

SLIDE 13 – Jack McGinnis

France revenue comprised 56% of the Southern Europe segment in the quarter and decreased 7% on a days-adjusted constant currency basis. As adjusted, OUP for our France business was $36 million in the quarter. Adjusted OUP margin was 3.2%.

Activity to date in January is lower than the trends experienced in the fourth quarter, and we are cautiously estimating the first quarter trend to reflect a slight further decline from the fourth quarter trend.

Revenue in **Italy** equaled $419 million in the fourth quarter reflecting a decrease of 1% on a days-adjusted constant currency basis. OUP equaled $26 million and OUP margin was 6.3%. We estimate that Italy will have a similar to slightly improved revenue trend in the first quarter compared to the fourth quarter.

SLIDE 14 – Jack McGinnis

Our **Northern Europe** segment comprised 17% of consolidated revenue in the quarter. Revenue of $768 million represented a 16% decline in constant currency. As adjusted, OUP was a $10 million loss. This is the most challenged part of our business, subject to low economic growth rates with many markets operating a bench model, which creates higher financial and operational pressures than we see in other markets. The majority of the restructuring charges of $6 million was recorded in Germany, with modest additional charges in the Netherlands, Sweden, and the UK.

SLIDE 15 – Jack McGinnis

Our largest market in the Northern Europe segment is the **U.K.**, which represented 34% of segment revenues in the quarter. During the quarter, U.K. revenues decreased 22% on a days-adjusted constant currency basis. The UK market continues to be very challenging, and we expect the rate of revenue decline to continue to be similar in the first quarter compared to the fourth quarter.

In **Germany,** revenues decreased 24% on a days-adjusted constant currency basis in the quarter. Germany manufacturing trends have been weak driving further declines. In the first quarter, we are expecting a similar year-over-year revenue decline compared to the fourth quarter trend.

The **Nordics** continue to experience very difficult market conditions with revenues decreasing 21% 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 worker term limits discussed last quarter.

SLIDE 16 – Jack McGinnis

The **Asia Pacific Middle East** segment comprises 12% of total company revenue. In the quarter, revenues equaled $522 million representing an increase of 7% in organic constant currency after incorporating the sale and franchising of our South Korea business which completed as expected on November 1st. As adjusted, OUP was $27 million and OUP margin was 5.1%. Restructuring charges of $1 million relate to actions taken in our New Caledonia business.

SLIDE 17 – Jack McGinnis

The largest market in the APME segment is **Japan**, which represented 57% 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 first quarter.

SLIDE 18 – Jack McGinnis

I'll now turn to cash flow and balance sheet. In full year 2024, free cash flow equaled $258 million compared to $270 million in the prior year. In the fourth quarter, we drove a strong finish to the year and free cash flow represented $236 million and compares to $91 million in the prior year.

At year-end, days sales outstanding decreased by about 3 days to just under 52 days. During the fourth quarter, capital expenditures represented $11 million. During the fourth quarter we repurchased 552,000 shares of stock for $34 million. As of December 31st, we have 2.6 million shares remaining for repurchase under the share program approved in August of 2023.

SLIDE 19 – Jack McGinnis

Our balance sheet ended the quarter with cash of $509 million and total debt of $953 million. Net debt equaled $443 million at quarter-end. Our debt ratios at year-end reflect total gross debt to trailing twelve months adjusted EBITDA of 2.1 and total debt to total capitalization at 31%. Our Debt and credit facilities arrangements are displayed in the appendix of the presentation.

SLIDE 20 – Jack McGinnis

Next, I'll review our outlook for the first quarter of 2025. Based on trends in the fourth quarter and January activity to date, our forecast is cautious and anticipates that the first quarter will continue to be challenging in Europe.

When considering our guidance for the first quarter, it is also important to note the following unique considerations which drive lower revenue and earnings per share impacts year over year:

1) The strengthened U.S. dollar has created a significant year over year negative foreign currency translation impact;
2) There are less working days in the first quarter of 2025, driven by the leap year in the prior year;
3) There is always a meaningful sequential seasonal decrease in earnings from the fourth quarter to the first quarter; and

4) The prior year period benefited from an unusually low effective tax rate and the current tax rate guidance is more aligned to the expected full year rate.

Because the first quarter is typically the lowest earnings level of the calendar year, these impacts have a more significant impact on the first quarter's earnings than would be the case in other quarters.

With that said, we are forecasting earnings per share for the first quarter to be in the range of $0.47 to $0.57. The guidance range also includes an unfavorable foreign currency impact of 6 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 5% and 9% and at the midpoint is a 7% decrease. Considering a slightly lower number of working days and the impact of our dispositions, our organic days-adjusted constant currency revenue decrease represents 5% at the midpoint.

EBITA margin for the first quarter is projected to be down 30 basis points at the midpoint compared to the prior year.

We estimate that the effective tax rate for the first quarter will be 36% which reflects the overall mix effect of lower earnings from lower tax geographies in the current environment as well as the impact of valuation allowances in certain markets which will reverse in the future when those markets rebound. We estimate 36% for the full year effective tax rate as well. As the Government of France has not enacted any of their previously proposed corporate tax changes, we have not incorporated any increase in France corporate taxes into our guidance.

In addition, as usual, our guidance does not incorporate restructuring charges or additional share repurchases and we estimate our weighted average shares to be 47.5 million. I will now turn it back to Jonas.

SLIDE 21 – Jonas Prising

Thank you, Jack.

In late 2019, we recognized that we were operating in a new environment and that to continue to be successful, we needed a refreshed strategy to respond to tech acceleration, structural talent scarcity and increasing demand for specialist talent. This context persists today - our latest Talent Shortage survey of 38,000 employers found talent shortages remain very high, with 74% of companies struggling to find the skilled, specialist talent they need to be successful, up from 36% a decade ago.

To position us for success - we introduced our DDI Strategy (Diversification, Digitization and Innovation) with three clear objectives: strengthen EBITA, grow our overall revenues at or above market and position our company for many more successful decades to come.

Diversification includes increasing the weighting of higher-margin offerings across each of our strong and distinct brands – Manpower, Experis & Talent Solutions – enabled by data driven insights informing us where we need to move the needle to win in the market.

Our data tells us where we can expect to see growth by industry and we have evolved our organizational structures to create even deeper vertical expertise across targeted industries, including consumer goods, financials and real estate, healthcare and life sciences, industrials and tech – with talented teams equipped with the insight and specialist offerings to win in priority segments. This combined with our AI-enabled dashboards sourced from our data platforms enable us to track industry trends even more closely, reducing volatility to market variances, enabling greater agility to pursue new market opportunities and prioritizing our sales teams' time on the opportunities that will provide greatest business impact.

Digitization is a key enabler for productivity and innovation, providing the data and insights that create greater value for our clients and candidates while leveraging Analytics and AI to drive recruiter productivity and improve the candidate journey. We are pleased with our progress in this area. Our industry leading technology platform PowerSuite enables us to harness our rich, high-quality global data together with AI to focus our activities where they will make most impact - unlocking candidate potential and enabling our

talent agents and recruiters to focus their time on mentoring, coaching and guiding the millions of candidates we interact with each year.

Despite the challenging market conditions in 2024, we made good progress on executing our DDI strategies and competed well in many markets, setting us up for continued progress into 2025 and beyond. We continue to take a laser-focused approach to managing costs, adjusting to the current environment in many markets, while maintaining our investment in technology and digitization and retaining the talent we need for improved competitive performance.

A big thank you to our teams around the world for all they do each day to connect even more people to meaningful work and to our clients and candidates for trusting us as their workforce and career partners.

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