

ManpowerGroup

Earnings Call Prepared Remarks

Transcript

Q3 2024 CONFERENCE CALL

SLIDE 1 – Jonas Prising

Welcome and thank you for joining us for our third 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](https://www.manpowergroup.com). I will start by going through some of the highlights of the quarter, then Jack will go through the third quarter results and guidance for the fourth quarter of 2024. 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.

I recently returned from visits with our teams and clients in Europe – including spending two days with the Country Managers from across our key

markets. As market experts, each of them speaks with CEOs and business leaders every day – so central to our discussions was the broader economic environment and what we are hearing from our clients on-the-ground.

Right now, we see a continuation of the cautious employer approach we have been talking about for some time, particularly in Europe and North America – while the situation is good in LatAm and Asia Pacific. In essence, there has not been a significant tone change in the conversations we have been having with employers over the past 12 months. They remain focused on managing the macro-economic and geopolitical challenges impacting their businesses. Most are optimistic, yet cautious, about market conditions improving and they are largely maintaining their current workforce. Since the timing of any improvement is not certain, they are still hesitant to increase their spend and expand their workforce without a significant step change in economic outlook.

Looking at labor markets broadly, we continue to see resilient topline trends, with unemployment holding relatively steady in many places and little indication of widespread layoffs. In our Q3 earnings call last year, we spoke about our industry being at the leading edge, the first to feel the impact going into a downturn and the first to benefit from improving outlooks on the other side. While we are not seeing signals of significant improvement, we are also not seeing signs of a significantly weaker environment ahead.

Our most recent ManpowerGroup Employment Outlook survey of 38,000 employers, published in September, found employers report cautious yet steady hiring intentions for the three months ahead – with many prioritizing retaining and attracting workers with specialized, flexible skills, and an adaptable mindset to adjust to the evolving requirements.

We believe this growing demand for specialized and flexible skill sets will serve us well. Despite new hiring remaining at lower levels in many places, labor markets remain historically tight as demand and supply mismatches persist. Companies are seeking deeper pools of expert talent and new ways to skill and reskill talent as well as increase mobility within their own organization, particularly as advances in AI transform roles and increase the value of soft skills.

Now, turning to our results, in the third quarter revenue was \$4.5 billion, down 2% year over year in constant currency. Our reported EBITA for the

quarter was \$79 million. Adjusting for restructuring, EBITA was \$117 million, representing an increase of 2% in constant currency year over year. Reported EBITA margin was 1.7%, and adjusted EBITA margin was 2.6%. Earnings per diluted share was \$0.47 on a reported basis, while adjusted earnings per diluted share was \$1.29. Adjusted earnings per share decreased 8% year over year in constant currency.

Regardless of the environment we find ourselves in, we are focused on maximizing the opportunity to deliver services today while being well positioned to capitalize more broadly when market conditions improve. The diversity of our geographic and client industry vertical mix – from IT to Healthcare & Life Sciences, Industrials, Consumer Goods and Public Sector – is serving us well and our data is enabling us to provide real-time assessments of which are experiencing headwinds and tailwinds by market. We currently see encouraging signs in Healthcare & Life Sciences and select pockets within Industrials, so we are stepping up our sales activity accordingly. We are also seeing improvement in the Manpower sales pipeline, where both the number of opportunities and the pipeline size has grown throughout 2024.

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

SLIDE 3 – Jack McGinnis

Thanks, Jonas.

Revenues in the third quarter came in at 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 \$117 million, representing a 2% increase in constant currency compared to the prior year period. As adjusted, EBITA margin was 2.6% and came in at the high end of our guidance range, representing 10 basis points of improvement year over year.

During the quarter, year over year foreign currency movements had an impact on our results. Foreign currency translation drove a one percent unfavorable impact to the U.S. dollar reported revenue trend in addition to the constant currency decrease of 2%. Organic days-adjusted constant

currency revenue also decreased 2% in the quarter, slightly better than our guidance.

SLIDE 4 – Jack McGinnis

Turning to the EPS bridge, reported net earnings per share was \$0.47. Adjusted EPS was \$1.29 and came in very close to the midpoint of our guidance range. Walking from our guidance mid-point of \$1.30, our results included a stronger operational performance of 4 cents, a lower weighted average share count due to share repurchases in the quarter which had a positive impact of 1 cent, a higher tax rate on country mix which had a negative impact of 4 cents, a foreign currency impact that was 2 cents better than our guidance and interest and other expenses had a negative impact of 4 cents. Restructuring costs and a discrete tax charge represented 82 cents resulting in the reported EPS of \$0.47.

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 revenue trend was flat in the quarter, the Experis brand declined by 10%, and the Talent Solutions brand had a revenue increase of 7%. Within Talent Solutions, our RPO business experienced a year-over-year revenue decline which was a slight improvement from the trend in the second quarter. Our MSP business revenues increased compared to the prior year, while Right Management experienced year-over-year revenue growth on higher outplacement volumes in the quarter. I will give more color on the trends from the previous quarter when I cover gross profit trends.

SLIDE 6 – Jack McGinnis

Looking at our gross profit margin in detail, our gross margin came in at 17.3% for the quarter. Staffing margin contributed a 10 basis point reduction due to mix shifts and lower volumes while pricing remained solid. Permanent recruitment, including Talent Solutions RPO, contributed a 20 basis point GP margin reduction as permanent hiring activity in the third quarter decreased year over year. Right Management career transition

within Talent Solutions contributed 10 basis points of improvement as outplacement activity was solid in the third 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 60% of gross profit, our Experis professional business comprised 24%, and Talent Solutions comprised 16%.

During the quarter, our consolidated gross profit decreased by 4% on an organic constant currency basis year over year, representing an improvement from the 6% decline in the second quarter.

Our **Manpower** brand reported an organic gross profit decrease of 2% in constant currency year over year, an improvement from the 4% decline in the second quarter.

Gross profit in our **Experis** brand decreased 12% in organic constant currency year over year, a decline from the 7% decrease in the second quarter reflecting the continuation of a challenging professional staffing environment.

Gross profit in **Talent Solutions** increased 9% in organic constant currency year over year, representing an improvement from the second quarter decrease of 11%. All brands within Talent Solutions achieved gross profit growth in the quarter as RPO and MSP volumes were slightly higher in the third quarter compared to the previous quarter, and Right Management volumes also increased sequentially driven by increased activity in France and the U.K.

SLIDE 8 – Jack McGinnis

Reported SG&A expense in the quarter was \$711 million. Excluding restructuring costs, SG&A as adjusted was down 5% year over year on a constant currency basis. The year-over-year SG&A decreases largely consisted of reductions in operational costs of \$32 million. During the quarter, corporate expenses were reduced for incentive and certain other health plan trends and we would expect corporate costs to return to prior

quarter run rate trends next quarter. 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 14.8% in constant currency in the quarter. Restructuring costs in the third quarter totaled \$38 million.

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% compared to the prior year period on a constant currency basis. As adjusted, OUP was \$41 million, and OUP margin was 3.9%. Restructuring charges of \$5 million included the largest actions in the U.S., with modest amounts in Argentina and Canada.

SLIDE 10 – Jack McGinnis

The **U.S.** is the largest country in the Americas segment, comprising 66% of segment revenues. Revenue in the U.S. was \$697 million during the quarter, representing a 4% days-adjusted decrease compared to the prior year. This represents a slight additional decrease from the 2% decline in the second quarter as Manpower and Talent Solutions partially offset the non-recurrence of Experis Healthcare IT projects.

As adjusted, OUP for our U.S. business was \$26 million in the quarter. As adjusted, OUP margin was 3.7%.

Within the **U.S.**, the Manpower brand comprised 24% of gross profit during the quarter. Revenue for the Manpower brand in the U.S. crossed back over to growth increasing 1% days-adjusted during the quarter, which was a step up from the slight decline in the second 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 11% on a days-adjusted basis during the quarter, compared to the 3% decline in the second quarter due

the expected non-recurrence of healthcare IT go live projects in the third quarter.

Talent Solutions in the U.S. contributed 34% of gross profit and also crossed over to growth during the quarter with a revenue increase of 10%, an improvement from the 2% decline in the second quarter. RPO revenue increased in the U.S. reflecting increased activity in select client programs. The U.S. MSP business executed well during the quarter posting strong revenue increases, while outplacement activity within our Right Management business leveled off year over year.

In the fourth quarter of 2024, we expect the rate of revenue decline to be similar to the third quarter trend for our overall U.S. business.

SLIDE 11 – Jack McGinnis

Southern Europe revenue comprised 46% of consolidated revenue in the quarter. Revenue in Southern Europe was \$2.1 billion, representing a 1% decrease in constant currency. As adjusted, OUP for our Southern Europe business was \$81 million in the quarter and OUP margin was 3.9%. Restructuring charges of \$5 million represented actions in our France, Spain and Regional Head Office.

SLIDE 12 – Jack McGinnis

France revenue comprised 56% of the Southern Europe segment in the quarter and decreased 5% on a days-adjusted constant currency basis. As adjusted, OUP for our French business was \$44 million in the quarter. Adjusted OUP margin was 3.7%.

The Olympics provided a modest boost in activity in the middle of the quarter and the month of September experienced a slight further decrease in line with activity levels in the second quarter. Activity to date in October is largely consistent with trends experienced in September, and we are estimating the fourth quarter trend to reflect a slight further decline from the third quarter trend.

Revenue in **Italy** equaled \$419 million in the third quarter reflecting a decrease of 1% on a days-adjusted constant currency basis. OUP equaled \$27 million and OUP margin was 6.5%. We estimate that Italy will have a slightly improved revenue trend in the fourth quarter compared to the third quarter.

SLIDE 13 – Jack McGinnis

Our **Northern Europe** segment comprised 19% of consolidated revenue in the quarter. Revenue of \$828 million represented an 11% decline in constant currency. As adjusted, OUP was flat. This is the most challenged part of our business, subject to lowest economic growth rates with many markets operating a bench model, which creates higher financial and operational pressures than we see in other markets. The restructuring charges of \$26 million represented \$11 million in the Nordics, \$9M in Germany, with modest additional charges in the U.K., the Netherlands, Belgium and Regional Head Office.

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 12% 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 worsen in the fourth quarter compared to the third quarter based on reduced seasonal holiday and lower public sector demand.

In **Germany**, revenues decreased 16% in days-adjusted constant currency in the quarter. Germany manufacturing trends have been weak driving further declines. In the fourth quarter, we are expecting a similar to slightly-worse year-over-year revenue decline compared to the third quarter trend.

The **Nordics** continue to experience very difficult market conditions with revenues decreasing 19% in days-adjusted constant currency in the quarter. Within the Nordics, Sweden is experiencing the largest declines based on a weak manufacturing and auto environment.

The Swedish market was also impacted by the introduction of new temporary worker term limits beginning in October 2024, where many more clients than we expected converted our Manpower temporary staff to their permanent payrolls ahead of this change. We believe temporary worker demand impacts from the shortened term limits to two years will normalize in the quarters ahead as it has in many other European markets that have instituted similar adjustments in the past.

SLIDE 15 – Jack McGinnis

The **Asia Pacific Middle East** segment comprises 12% of total company revenue. In the quarter, revenues equaled \$563 million representing an increase of 3% in organic constant currency. As adjusted, OUP was \$25 million, and OUP margin was 4.5%. Restructuring charges of \$2 million relate to actions taken in our Australia business.

SLIDE 16 – Jack McGinnis

Our largest market in the APME segment is **Japan**, which represented 52% 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 fourth quarter.

As part of our ongoing strategy to optimize our mix of businesses and geo footprint, we have recently agreed to sell our South Korea business, which will operate as a Manpower Franchise in the future. We expect this transaction to close at the end of October which will be reflected in my guidance for the fourth quarter.

SLIDE 17 – Jack McGinnis

I'll now turn to cash flow and balance sheet. In the third quarter, free cash flow represented \$67 million and compares to \$245 million in the prior year. One-time restructuring related payments on the wind down of our Germany Proservia business decreased our free cash flow during 2024.

At quarter end, days sales outstanding decreased by about 2 days to 57 days. During the third quarter, capital expenditures represented \$16 million. During the third quarter we repurchased 415,000 shares of stock for \$29 million. As of September 30th, we have 3.1 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 \$411 million and total debt of \$1.0 billion. Net debt equaled \$614 million at quarter-end. Our debt ratios at quarter-end reflect total gross debt to trailing twelve months Adjusted EBITDA of 2.1 and total debt to total capitalization at 32%. Our Debt and credit facilities arrangements remained unchanged during the quarter as displayed in the appendix of the presentation.

SLIDE 19 – Jack McGinnis

Next, I'll review our outlook for the fourth quarter of 2024. Based on trends in the third quarter and October activity to date, our forecast is cautious and anticipates that the fourth quarter will continue to be challenging in North America and Europe. Within Europe, Northern Europe continues to experience the most challenging conditions, and we anticipate lower seasonal holiday activity and extended year end plant closures. As I mentioned, we expect the sale of our South Korea business to close at the end of October and, accordingly, our guidance only reflects one month of South Korea operations and we have provided organic variances to show like for like revenue trends. With that said, we are forecasting earnings per share for the fourth quarter to be in the range of \$0.98 to \$1.08. The guidance range also includes an unfavorable foreign currency impact of \$0.01 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 1% and 5% and at the midpoint is a 3% decrease. The impact of the South Korea disposition is about 1% of the decrease and there is about one more working day in the fourth quarter. In summary, our organic days-adjusted constant currency revenue decrease represents 4% at the midpoint. This

represents a slight decrease compared to the third quarter trend on this same basis.

EBITA margin for the fourth 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 fourth quarter will be 37.5% 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.

The Government of France very recently published the preliminary budget for 2025. Although the preliminary budget currently includes provisions that would increase our corporate tax rate in France temporarily in 2024 and 2025, we will wait to quantify this potential impact, along with other possible provisions until the budget review by all the appropriate stakeholders in the French Government is further along.

In addition, as usual, our guidance does not incorporate restructuring charges or additional share repurchases and we estimate our weighted average shares to be 48.1 million. We will carve out the gain/loss impact on the sale of our South Korea business separately in our fourth quarter results. Our guidance also does not include the impact of the non-cash hyperinflationary balance sheet related currency translation adjustment for our Argentina business and we will also report that separately if it is a meaningful amount. I will now turn it back to Jonas.

SLIDE 20 – Jonas Prising

Thank you, Jack.

We are steadfast on being front of mind with our clients, and our talented teams of experts across our strong and distinct brands – Manpower, Experis and Talent Solutions are building deep relationships as specialist partners with the data, insight, solutions and seamless execution to earn their loyalty and trust for the long-term. We have expanded visibility with our clients this year, with in-person and virtual touchpoints showing strong increases, and our data reveals we are improving our win rates quarter-on-quarter and year-on-year as we continue building client loyalty.

We know data analysis becomes insights that drive better outcomes for our clients, associates and candidates. We are convinced the data centric commercial muscle we are building is positioning us to win in the market – AI-enabled dashboards sourced from our global data platforms ensure our teams focus on the activities that create the most value for our clients and our prospects.

As you have seen in our actions this quarter, while we have taken a surgical approach to analyzing demand signals across our verticals and client segments, we are also being laser-focused on how we manage costs. We strive to optimize profitability and ensure we have the talent, innovation and digital platforms to capture growth.

We remain committed to our Diversification, Digitization and Innovation strategy and to finding new ways of creating value for our clients and our candidates. Our Manpower brand is our history and our future, and we are intent on strengthening our positioning for candidates as an employer of choice, who stands by their side to build skills and offer great opportunities throughout their career journey. That’s why one of our priorities is finding new ways to meet our candidates where they are. We are delighted to have recently opened job hubs in several Walmart locations across the US - offering one-stop convenience and breaking down barriers for local job seekers. We are proud to have led the US industry with this model and to continuously improve how we attract top talent and create exceptional opportunities for both job seekers and employers.

We are also delighted to have again been honored with multiple leadership recognitions in Everest Group's 2024 PEAK Matrix® Assessments, including Talent Solutions being named as a Global Leader in Contingent Workforce Management for the 11th consecutive year, Experis as a Leader in IT Contingent Talent and Strategic Solutions in both the US and U.K., and Manpower, as a Leader in U.K. Business and Professionals Contingent Talent and Strategic Solutions.

In closing – we are committed to creating shareholder value by building a sustainable company that takes care of all of our stakeholders – employees, clients, candidates, and the communities in which we operate. We are proud of our ongoing commitment to people and planet, and at New York Climate Week in September, we released our fourth annual Working to Change the World report– tracking our progress in building a skilled, global

workforce to leverage innovation and emerging technologies for a better, greener tomorrow. We cannot underestimate the impact on work or workers of the transformative changes taking place in AI and the global green energy transition. This report shares the many ways we are guiding both employers and workers through this moment of transformation, building partnerships with clients to address skills gaps and developing in-demand talent pools with our Manpower MyPath and Experis Academy training programs. We know this work energizes our people and we are pleased to have been named a Forbes World's Best Employer – recognizing our commitment to talent development. I would like to close by thanking our teams around the world for their considerable efforts to build the future of work and to our clients and candidates for trusting us to be their guides on this journey.

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